

Mainstay Residential Management Limited

Report and Financial Statements

Year Ended

31 December 2001

3340310



BDO Stoy Haywa
Chartered Account.



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Mainstay Residential Management Limited

Annual report and financial statements for the year ended 31 December 2001

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Directors

G W Donaldson
G M Miles
A J Tilly

Secretary and registered office

CIM Management Limited, Whittington Hall, Whittington Road, Whittington, Worcester,
WR5 2ZX

Company number

3340310

Auditors

BDO Stoy Hayward, Beneficial Building, 28 Paradise Circus Queensway, Birmingham, B1
2BJ

Mainstay Residential Management Limited

Report of the directors for the year ended 31 December 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity is the provision of residential property management services.

Director

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary shares of 10p each	
	31 December 2001	31 December 2000
G W Donaldson	228	228
G M Miles	304	304
A J Tilly	228	228

No director had any beneficial interest in the shares of the company's ultimate parent undertaking, Pemberstone Group Limited.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

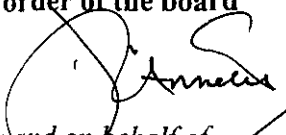
Mainstay Residential Management Limited

Report of the directors for the year ended 31 December 2001 (*Continued*)

Auditors

BDO Stoy Hayward were appointed as auditors during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board


For and on behalf of
CIM Management Limited

Secretary

9 September 2002

To the shareholders of Mainstay Residential Management Limited

We have audited the financial statements of Mainstay Residential Management Limited for the year ended 31 December 2001 on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
Birmingham

9 September 2002

Mainstay Residential Management Limited**Profit and loss account for the year ended 31 December 2001**

	Note	2001 £	2000 £
Turnover	2	583,077	94,610
Administrative expenses		568,400	91,709
Operating profit	3	14,677	2,901
Other interest receivable and similar income	5	-	92
Profit on ordinary activities before taxation		14,677	2,993
Taxation on profit on ordinary activities	6	2,100	1,170
Profit on ordinary activities after taxation for the year		12,577	1,823
Retained profit brought forward		1,823	-
Retained profit carried forward		14,400	1,823

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

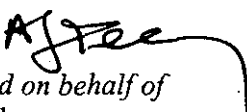
The notes on pages 7 to 12 form part of these financial statements.

Mainstay Residential Management Limited

Balance sheet at 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Intangible assets	7		8,300		9,000
Tangible assets	8		600		-
			8,900		9,000
Current assets					
Debtors	9	237,800		46,429	
Cash at bank and in hand		76,900		28,969	
		314,700		75,398	
Creditors: amounts falling due within one year	10	294,100		67,475	
Net current assets			20,600		7,923
Total assets less current liabilities			29,500		16,923
Creditors: amounts falling due after more than one year	11		15,000		15,000
			14,500		1,923
Capital and reserves					
Called up share capital	12		100		100
Profit and loss account			14,400		1,823
Equity shareholders' funds			14,500		1,923

The financial statements were approved by the Board on 9 September 2002.


For and on behalf of
A J Tilly
Director

The notes on pages 7 to 12 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention. The following principal accounting policies have been applied:

Accounting period

The financial statements have been prepared for the year to 31 December 2001. The comparative amounts relate to the 9 month period from 1 April to 31 December 2000.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Pemberstone Group Limited and the company is included in consolidated financial statements.

Goodwill

Goodwill arising on an acquisition of a trade/subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and written off on a straight line basis over its useful economic life, which in the opinion of the directors is ten years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings	- 33% per annum
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Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Taxation

Payment is made for corporation tax group relief between group undertakings where appropriate.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Operating profit

The audit fee is borne by Pemberstone Group Limited.

4 Employees

The average number of employees (including directors) during the year was 4 (2000 - 5).

5 Other interest receivable and similar income

	2001 £	2000 £
Bank deposits	-	92
	<u> </u>	<u> </u>

6 Taxation on profit on ordinary activities

	2001 £	2001 £	2000 £	2000 £
<i>Current tax</i>				
UK corporation tax on profits of the year	2,900		1,170	
Adjustment in respect of previous periods	(800)		-	
	<u> </u>		<u> </u>	
Total current tax		2,100		1,170
		<u> </u>		<u> </u>

7 Intangible assets

	Purchased goodwill £
<i>Cost or valuation</i>	
At 1 January 2001 and 31 December 2001	10,000
<i>Amortisation</i>	
At 1 January 2001	1,000
Provided for the year	700
At 31 December 2001	1,700
<i>Net book value</i>	
At 31 December 2001	8,300
At 31 December 2000	9,000

8 Tangible fixed assets

	Fixtures and fittings £
<i>Cost</i>	
Additions and at 31 December 2001	900
<i>Depreciation</i>	
Provided for the year and at 31 December 2001	300
<i>Net book value</i>	
At 31 December 2001	600
At 31 December 2000	-

9 Debtors

	2001 £	2000 £
Trade debtors	30,700	27,263
Amounts owed by group undertakings	193,500	-
Other debtors	-	7,614
Prepayments and accrued income	13,600	11,452
Sundry debtors	-	100
	<u>237,800</u>	<u>46,429</u>

All amounts shown under debtors fall due for payment within one year.

10 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	5,100	-
Amounts owed to group undertakings	230,700	66,305
Corporation tax	2,900	1,170
Accruals and deferred income	55,400	-
	<u>294,100</u>	<u>67,475</u>

11 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Loan instalments	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

Maturity of debt:

	Other debt 2001 £	Other debt 2000 £
In more than one year but not more than two years	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

12 Share capital

	2001	Authorised 2000	Allotted, called up and fully paid	
	£	£	2001	2000
			£	£
<i>Equity share capital</i>				
Ordinary shares of 10p each	1,000	1,000	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13 Reconciliation of movements in shareholders' funds

	2001	2000
	£	£
Profit for the year	12,577	1,823
Issue of shares	-	100
	<u> </u>	<u> </u>
Net additions to shareholders' funds	12,577	1,923
Opening shareholders' funds	1,923	-
	<u> </u>	<u> </u>
Closing shareholders' funds	14,500	1,923
	<u> </u>	<u> </u>

14 Contingent liabilities

The company is party to the Pemberstone group borrowings, which are secured by fixed and floating charges over certain of the company's fixed assets.

15 Commitments

The company had no capital or operating lease commitments at 31 December 2001.

16 Related party disclosures

Related party transactions and balances

The company charged £271,400 (2000 - £nil) to Mainstay Group Limited and fellow subsidiaries for management services. The company was charged £259,700 (2000 - £nil) by these companies. The company owed £67,500 (2000 - £66,305) to fellow subsidiaries.

17 Ultimate parent company and parent undertaking of larger group

The largest and smallest group in which the results of the company are consolidated is that headed by Pemberstone Group Limited, incorporated in England and Wales. The consolidated financial statements of this company are available to the public and may be obtained from Whittington Hall, Whittington Road, Worcester, WR5 2ZX. There are no other group financial statements which include the results of the company.