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NORTH ROW



Report & Accounts

2002

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Company information

DIRECTORS

CHAIRMAN (NON-EXECUTIVE)

Dennis J Cope

MANAGING DIRECTOR

J Paul White

EXECUTIVE DIRECTORS

Graham A McCulloch**David K Wilmot, FCA**

NON-EXECUTIVE DIRECTOR

Joseph P Malvisi

SECRETARY

Trevor M Birchmore, FCCA

REGISTERED OFFICE

11-15 Wigmore Street

London W1A 2JZ

AUDITORS

Deloitte & Touche

Chartered Accountants

London

GROUP COMPANIES

Parent company

North Row Holdings Limited

Principal subsidiary companies

	Class of share, and percentage of shares held	
North Row Estates Limited	Ordinary	100%
Frogmore Estates Limited	Ordinary	100%
Frogmore Investments Limited	Ordinary	100%
Frogmore Developments Limited	Ordinary	100%
Primera (Fenchurch Street) Limited	Ordinary	100%
Apsley Partnership Investments Limited	Ordinary	100%

Principal joint ventures

Grange Park Developments Limited	Ordinary	50%
The Apsley Property Limited Partnership	—	49.8%

The above companies are all incorporated in Great Britain, The Apsley Property Limited Partnership is registered in Great Britain, and all are engaged in property related activities in the United Kingdom.

Report of the directors

The directors present their report and the audited financial statements for the year ended 30th June 2002.

1 Trading results

The results for the group are set out on page 6.

2 Group activities and review of the year ended 30th June 2002

The company is the holding company of a group engaged in property investment, development and trading.

The group has sold a significant number of properties during the year and made few acquisitions. The directors expect this strategy to continue into 2003.

3 Dividends

The directors do not recommend the payment of a dividend (Period ended 30th June 2001 : Nil).

4 Properties held for investment

Properties held for investment have been valued by external professional valuers as at 30th June 2002 and the resulting surplus has been transferred to reserves.

5 Directors

The directors holding office during the year were as follows:

Dennis J Cope
J Paul White
Graham A McCulloch
David K Wilmot, FCA
Joseph P Malvisi

The directors of the company holding office at 30th June 2002 and their respective beneficial and family holdings of 'B' ordinary shares in the company at that date and 30th June 2001 were as follows:

	30th June 2002	30th June 2001
Dennis J Cope	908	908
J Paul White	1,860	1,860
Graham A McCulloch	674	674
David K Wilmot, FCA	441	441
Joseph P Malvisi	674	674

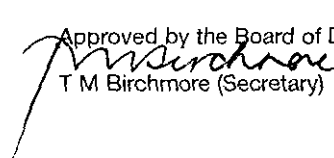
6 Donations

Donations to charities amounted to £13,000 (2001: £29,000).

7 Auditors

A resolution for the re-appointment of Deloitte & Touche as auditors to the company and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board


T M Birchmore (Secretary)

28th November 2002

Statement of directors' responsibilities

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed; and
- (d) *prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report

Independent Auditors' Report to the members of North Row Holdings Limited

We have audited the financial statements of North Row Holdings Limited for the year ended 30th June 2002 which comprise the group profit and loss account, the group balance sheet, group statement of total recognised gains and losses, movement in shareholders' funds, note of historical cost profits and losses, group cash flow statement, notes to the group cash flow statement, parent company balance sheet and the related notes 1 to 29.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards and the listing rules of the Financial Services Authority.

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 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 circumstances of the company and the group, 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 affairs of the company and the group as at 30th June 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche, London

28th November 2002

Group profit and loss account

YEAR ENDED 30TH JUNE 2002

	2002	7/9/00 – 30/6/01 restated	
Notes	£000	£000	
	Turnover: group and share of joint ventures	210,772	111,931
	Less share of joint ventures' turnover	10,292	6,209
2	Group turnover	200,480	105,722
	Cost of sales	(169,300)	(87,621)
	Gross profit	31,180	18,101
	Amortisation of goodwill	13,858	9,702
	Administrative expenses	(7,686)	(3,682)
3	Operating profit	37,352	24,121
	Share of operating profit of joint ventures	1,342	2,587
4	(Loss)/profit on disposal of fixed assets	(6,069)	4,961
	Profit on ordinary activities before interest	32,625	31,669
7	Net interest payable and finance charges	(40,610)	(19,047)
	(Loss)/profit on ordinary activities before taxation	(7,985)	12,622
8	Taxation credit on (loss)/profit on ordinary activities	4,085	619
9	(Loss)/profit on ordinary activities after taxation	(3,900)	13,241
	Dividends	–	–
23	(Loss)/profit for the year/period	(3,900)	13,241

The consolidated profit and loss account for the period ended 30 June 2001 has been restated for the adoption of FRS 19 "Deferred tax" (see note 24)

Group balance sheet

30TH JUNE 2002

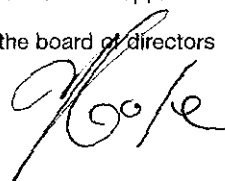
Notes		2002	2001
		£000	restated £000
	Fixed assets		
10	Goodwill	(13,008)	(26,866)
11	Properties held for investment	75,930	120,860
12	Other tangible assets	446	628
13	Investment in joint ventures:		
	Share of gross assets	20,301	60,138
	Share of gross liabilities	(15,202)	(46,790)
		5,099	13,348
		68,467	107,970
	Current assets and liabilities		
14	Trading properties and developments	148,975	205,311
15	Debtors	14,943	37,129
16	Cash and deposits	145,387	149,192
		309,305	391,632
17	Creditors falling due within one year	(145,428)	(160,621)
	Net current assets	163,877	231,011
	Total assets less current liabilities	232,344	338,981
18	Creditors falling due after more than one year	(211,889)	(302,453)
21	Provisions for liabilities and charges	(9,273)	(19,137)
	Net assets	11,182	17,391
	Capital and reserves		
22	Called up share capital	-	-
23	Revaluation reserve	5,897	4,150
23	Profit and loss account	5,285	13,241
	Equity shareholders' funds	11,182	17,391

The consolidated balance sheet at 30 June 2001 has been restated for the adoption of FRS 19 "Deferred tax" (see note 24)

These financial statements were approved by the board of directors on 28th November 2002.

Signed on behalf of the board of directors

D J Cope
D K Wilmot




Group statement of total recognised gains and losses

YEAR ENDED 30TH JUNE 2002

	2002	7/9/00 – 30/6/01 restated
	£000	£000
(Loss)/profit for the financial year/period	(3,900)	13,241
Unrealised surplus on revaluation of properties held for investment		
group companies	3,442	4,150
joint ventures	(57)	–
Taxation on realisation of investment property revaluation surpluses	(5,694)	–
Total recognised gains and losses for the year/period	(6,209)	17,391
Prior period adjustments (note 24)	2,733	
Total gains and losses recognised since last annual report	(3,476)	

Movement in shareholders' funds

YEAR ENDED 30TH JUNE 2002

	2002	7/9/00 – 30/6/01 restated
	£000	£000
(Loss)/profit for the year/period	(3,900)	13,241
Other recognised gains and losses relating to the year/period	(2,309)	4,150
Movement in shareholders' funds	(6,209)	17,391
Opening shareholders' funds	17,391	–
Closing shareholders' funds	11,182	17,391

Note of historical cost profits and losses

YEAR ENDED 30TH JUNE 2002

	2002	7/9/00 – 30/6/01 restated
	£000	£000
(Loss)/profit on ordinary activities before taxation	(7,985)	12,622
Realisation of property revaluation gains and losses of previous years	1,638	–
Historical cost (loss)/profit on ordinary activities before taxation	(6,347)	12,622
Historical cost (loss)/profit after taxation and dividends	(2,262)	13,241

Group cash flow statement

YEAR ENDED 30TH JUNE 2002

Notes	2002 £000	7/9/00 – 30/6/01 £000
	Operating activities	
	Cash received from tenants	11,437 7,753
	Other receipts	304 834
	Property expenses paid	(9,906) (3,972)
	Sales of trading properties and developments	186,959 111,996
	Purchases of and additions to trading properties and developments	(106,304) (92,009)
	Other payments	(9,130) (6,092)
a	Net cash inflow from operating activities	73,360 18,510
	Dividends received from joint ventures	4,750 825
	Returns on investments and servicing of finance	
	Interest received	4,919 4,876
	Interest and finance charges paid	(26,979) (1,059)
	Net cash (outflow)/inflow from returns on investments and servicing of finance	(22,060) 3,817
	Acquisition and disposals	
	Sale/(purchase) of subsidiary	1,111 (237,508)
	Net cash acquired with subsidiaries	– 88,880
	Sale of joint venture	4,200 –
	Net cash inflow/(outflow) from acquisitions and disposals	5,311 (148,628)
	Taxation	
	Corporation tax paid	(2,694) (10,339)
	Capital expenditure and financial investment	
	Purchases and enhancement of properties held for investment	(13,759) (5,798)
	Sales of properties held for investment	53,884 47,390
	Purchase of other fixed assets	(155) (63)
	Sales of other fixed assets	89 86
	Joint venture loans	15,124 5,670
	Sale of investment	1,071 –
	Net cash inflow from capital expenditure and financial investment	56,254 47,285
	Net cash inflow/(outflow) before use of liquid resources and financing	114,921 (88,530)
	Management of liquid resources	
	Increase in short term deposits	(115,000) –
	Financing	
	Bank loan	1,847 237,317
	Unsecured loan notes	– 673
	Repayment of bank and other loans	(119,125) (2,078)
	Net cash (outflow)/inflow from financing	(117,278) 235,912
b	(Decrease)/increase in cash in the period	(117,357) 147,382

Notes to the group cash flow statement

YEAR ENDED 30TH JUNE 2002

a	Net cash inflow from operating activities	2002	7/9/00 – 30/6/01 restated
		£000	£000
	Operating profit	37,352	24,121
	Depreciation	322	240
	Goodwill amortisation	(13,858)	(9,702)
	Loss on sale of other fixed assets	(2)	47
	Decrease in trading properties and developments	56,277	21,244
	Decrease/(increase) in debtors relating to operating activities	4,519	(742)
	Decrease in creditors relating to operating activities	(2,885)	(14,865)
	Decrease in provisions	(8,365)	(1,833)
		73,360	18,510

b	Reconciliation of net cash flow to movement in net borrowings	2002	7/9/00 – 30/6/01
		£000	£000
	(Decrease)/increase in cash in the year	(117,357)	147,382
	Net increase in other borrowings	117,279	(235,862)
	Net increase in short term deposits	115,000	–
	Non-cash movements	(19,763)	(68,503)
	Borrowings acquired with subsidiaries	–	(113,083)
	Movement in net borrowings	95,159	(270,066)
	Opening net borrowings	(270,066)	–
	Closing net borrowings	(174,907)	(270,066)

c	Analysis of net borrowings	2001	Cash flow	Non-cash	2002
		£000	£000	movements £000	£000
	Net cash				
	Cash at bank and in hand	1,293	(1,006)	–	287
	Overnight deposits	147,900	(117,800)	–	30,100
	Unsecured bank loans and overdrafts	(1,811)	1,449	–	(362)
		147,382	(117,357)	–	30,025
	Short term deposits	–	115,000	–	115,000
	Borrowings				
	Loans due within one year	(114,995)	115,423	(108,471)	(108,043)
	Loans due after more than one year	(302,453)	1,856	88,708	(211,889)
		(417,448)	117,279	(19,763)	(319,932)
	Net borrowings	(270,066)	114,922	(19,763)	(174,907)

Parent company balance sheet

30TH JUNE 2002

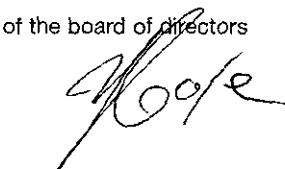
Notes		2002 £000	2001 £000
	Fixed assets		
13	Investments	50	50
	Current assets and liabilities		
15	Debtors	47	101
		47	101
17	Creditors falling due within one year	-	(53)
	Net current assets	47	48
	Net assets	97	98
	Capital and reserves		
22	Called up share capital	-	-
23	Profit and loss account	97	98
	Equity shareholders' funds	97	98

These financial statements were approved by the board of directors on 28th November 2002.

Signed on behalf of the board of directors

D J Cope

D K Wilmot




Notes to the accounts

1 Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

a Convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of properties held for investment.

b Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries incorporating the requirements of Financial Reporting Standard No. 7 "Fair Values in Acquisition Accounting".

Turnover and profits arising on trading between group companies are excluded.

Joint ventures are companies or ventures which are jointly controlled with one or more other parties.

The group profit and loss account and group statement of total recognised gains and losses include the group's share of results of joint ventures. The investment in joint ventures disclosed in the group balance sheet reflects the group's share of net assets, excluding goodwill, of those companies or ventures.

c Goodwill

Purchased goodwill is capitalised and amortised over its useful economic life.

d Properties held for investment

Properties held for investment are included in the financial statements at open market values as determined annually by external professional valuers and any surplus or deficit arising is transferred to revaluation reserve.

Profit on sales of properties held for investment is taken on receipt of sales proceeds at legal completion by reference to net carrying amount.

No depreciation is provided in respect of properties held for investment. This conflicts with the requirement in the Companies Act 1985 that all properties should be depreciated. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt Statement of Standard Accounting Practice No. 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial period would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

e Other tangible fixed assets

Depreciation is provided on vehicles, fixtures and equipment at rates calculated to reduce their net book amounts to residual value at the end of their anticipated useful life, which in general does not exceed five years. Short leasehold land and buildings are depreciated over the unexpired term of the lease.

f Investments

Investments in subsidiary companies are stated at cost, less provision where necessary to reduce the carrying amount to underlying net tangible assets.

Notes to the accounts *continued*

g Trading properties and developments

These assets are included in the accounts at the lower of cost and net realisable value. Cost for this purpose comprises the purchase cost of land and buildings, development expenditure and attributable interest and overheads.

In considering the net realisable value of land and properties it is assumed developments will be completed and sold in the ordinary course of the group's business, and that they would not be placed on the market for immediate sale.

Profit on sales of developed properties is taken on receipt of sales proceeds at legal completion. Costs attributable to each sale comprise an appropriate proportion of the total costs of the development. Provision is made for anticipated after sales maintenance costs.

h Interest

Interest incurred by North Row Estates Limited in connection with the acquisition of Frogmore Estates Limited is charged to the profit and loss account.

Frogmore Estates Limited borrows from third parties to finance investments and developments undertaken by its wholly-owned subsidiaries. Interest incurred in the year is allocated to investment, trading and development properties pro-rata to costs incurred upon each property and recharged to subsidiaries accordingly.

Interest attributable to properties held for investment that are in the course of development is capitalised until the project is substantially completed.

Interest allocated to trading and development properties is carried forward in the group balance sheet in the cost of trading properties and is written off to the profit and loss account by reference to sales of properties as part of the interest charge for the year.

i Operating leases

Rentals and other amounts payable under operating leases are charged to the profit and loss account in equal annual amounts over the lease term. Provision has been made in respect of an onerous lease as detailed in note 21.

j Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. The amount of the potential liability is disclosed in note 21.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

k Pension funding

Contributions payable under the defined contribution schemes are charged to the profit and loss account as they become due.

Contributions to the defined benefit scheme are assessed with regard to advice from qualified actuaries and charged to the profit and loss account so as to spread the cost over the expected service lives of eligible employees.

Notes to the accounts *continued***2 Analysis of turnover and gross profit**

The turnover and gross profit attributable to each category of the group's business were:

	Turnover		Gross profit	
	2002	7/9/00 – 30/6/01	2002	7/9/00 – 30/6/01
	£000	£000	£000	£000
Property				
Rental income	7,957	5,581	6,619	5,075
Other income and outgoings	3,933	3,313	(3,668)	(932)
Trading property sales	88,803	56,929	15,822	7,983
Housebuilding				
Joint developments	99,787	39,899	12,407	5,975
Group turnover and gross profit	200,480	105,722	31,180	18,101
Share of joint ventures' turnover	10,292	6,209		
Turnover	210,772	111,931		

Turnover and gross profit were derived from continuing operations and arose in the United Kingdom.

3 Operating profit

Group operating profit is stated after charging/(crediting):

	2002	7/9/00 – 30/6/01 restated
	£000	£000
Amortisation of goodwill	(13,858)	(9,702)
Provision for housebuilding rectification costs (note 21)	1,850	1,250
Rents payable under operating leases for land and buildings	726	416
Depreciation	322	240
Auditors' remuneration:		
audit fee	82	86
other fees	160	62

4 (Loss)/profit on disposal of fixed assets

	2002	7/9/00 – 30/6/01
	£000	£000
(Loss)/profit on sales of properties held for investment (by reference to valuation not cost):		
group companies	(8,458)	4,017
joint ventures	210	944
Profit on sale of subsidiary	1,108	–
Profit on sale of investment	1,071	–
	(6,069)	4,961

Notes to the accounts *continued*

5 Directors remuneration

	2002		7/9/00 – 30/6/01	
	Total	Highest paid director	Total	Highest paid director
	£000	£000	£000	£000
Aggregate emoluments	1,516	603	662	289
Payments to defined contribution pension schemes	292	116	139	28

Retirement benefits are accruing to four (2001 – four) directors under the group's defined contribution pension schemes.

6 Employees

The average number of employees, including directors, within each category of the group's business were:

	2002 No.	7/9/00 – 30/6/01 No.
Property investment, management and trading	46	56
On site operation and maintenance of properties	18	26
Consultant surveyors and estate agents	—	5
	64	87

Costs incurred in respect of these employees were:

	2002 £000	7/9/00 – 30/6/01 £000
Salaries	4,125	2,018
Social security costs	494	226
Other pension costs	482	234
	5,101	2,478

Notes to the accounts *continued***7 Net interest payable and finance charges**

	2002	7/9/00 – 30/6/01
	£000	£000
Group: on bank loans and overdrafts	16,133	10,633
on other loans	25,984	12,038
Share of joint ventures' interest payable	3,259	1,168
Interest payable and finance charges	45,376	23,839
Group interest receivable	(4,825)	(4,894)
Net interest and charges incurred	40,551	18,945
Net amount written off the cost of trading properties and developments	59	102
Charged to profit and loss account	40,610	19,047

8 Taxation credit on (loss)/profit on ordinary activities

	2002	7/9/00 – 30/6/01 restated
	£000	£000
Corporation tax credit on the profits for the year	2,784	200
Share of taxation of joint ventures	(198)	(782)
Over-provision in previous years	–	1,181
	2,586	599
Transfer from deferred tax	1,499	20
	4,085	619

The standard rate of corporation tax for the year is 30%. The actual tax credit for the current and preceding period is different to the standard rate for the reasons set out below:

	2002	7/9/00 – 30/6/01 restated
	£000	£000
(Loss)/profit on ordinary activities before tax	(7,985)	12,622
Tax on (loss)/profit ordinary activities at the standard rate of corporation tax (30%)	(2,396)	3,787
Factors affecting the credit for the year/period:		
Sales of investment properties	(1,287)	(1,495)
Goodwill amortisation	(4,157)	(2,911)
Fair value adjustments to consolidated profits	1,746	334
Costs not deducted for tax purposes	3,971	1,449
Capital allowances in excess of depreciation	(463)	(717)
Other timing differences	–	135
Over-provision in previous years	–	(1,181)
Current tax credit	2,586	599

Notes to the accounts *continued*

9 Loss/profit on ordinary activities after taxation

In accordance with the exemption provided by Section 230 of the Companies Act 1985, a profit and loss account for the company is not presented. A loss on ordinary activities after taxation of £1,254 was dealt with in the accounts of the parent company (2001 – £98,302 profit).

10 Goodwill

	£000
Cost	
At 30th June 2001	
as previously reported	27,281
prior period adjustments (note 24)	9,287
as restated	36,568
At 30th June 2002	36,568
Amortisation	
At 30th June 2001	
as previously reported	7,238
prior period adjustments (note 24)	2,464
as restated	9,702
amortisation credited to profit and loss account	13,858
At 30th June 2002	23,560
Net book value	
At 30th June 2002	13,008
At 30th June 2001	26,866

Notes to the accounts *continued***11 Properties held for investment**

	Freehold £000	Long leasehold £000	Total £000
Valuation at 30th June 2001	95,105	25,755	120,860
Movements during the year			
additions	10,048	3,847	13,895
disposals	(57,728)	(4,539)	(62,267)
surplus on revaluation	2,635	807	3,442
Valuation at 30th June 2002	50,060	25,870	75,930

The comparable figures using historical cost principles would be:

at 30th June 2001	90,936	25,774	116,710
at 30th June 2002	44,448	25,585	70,033

No interest was capitalised during the year (2001 – nil).

Properties held for investment were valued as at the balance sheet date by King Sturge, Chartered Surveyors.

The valuations assume open market value and were in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

12 Other tangible fixed assets

	Short leasehold land and buildings £000	Vehicles fixtures and equipment £000	Total £000
Cost at 30th June 2001	269	599	868
Movements during the year			
additions	—	223	223
disposals	(269)	(82)	(351)
Cost at 30th June 2002	—	740	740
Depreciation at 30th June 2001	107	133	240
charge for the year	161	161	322
disposals	(268)	—	(268)
Depreciation at 30th June 2002	—	294	294
Net book value			
at 30th June 2002	—	446	446
at 30th June 2001	162	446	628

Notes to the accounts *continued*

13 Fixed asset investments – group

	£000
Joint ventures	
Share of net assets at 30th June 2001	13,348
Disposal	(4,200)
Distribution received	(4,750)
Share of retained profits	758
Share of unrealised deficit on revaluation of properties held for investment	(57)
Share of net assets at 30th June 2002	5,099

Throughout the year the group owned the following interests in joint ventures:

- (a) a 49.8% interest in The Apsley Property Limited Partnership whose business is commercial property investment;
- (b) 50 ordinary shares of £1 each, fully paid, in Grange Park Developments Limited, being 50% of the issued share capital of that company. Grange Park Developments Limited is engaged in commercial property development and trading;
- (c) 50 ordinary shares of £1 each, fully paid, being 50% of the issued share capital, in Riverside Developments (South Bank) Limited, a company engaged in residential property development;
- (d) 50 ordinary shares of £1 each, fully paid, being 50% of the issued share capital in Royston Developments Limited, a company engaged in residential property development;
- (e) 500 ordinary shares of £1 each, fully paid, being 50% of the issued share capital, in Southwark Land Regeneration Holdings Limited which, together with its wholly-owned subsidiary, is engaged in property development; and
- (f) 50 "A" ordinary shares of £1 each, fully paid, being 50% of the issued ordinary share capital and 630 participating preference shares being 70% of the preference share capital in FSH Airport (Edinburgh) Services Limited. The company is engaged in property development.

During the year the group sold its interest in Puddle Dock (Holdings) Limited being 500 of the "F" ordinary shares of £1 each, fully paid.

The group's share of the results of these joint ventures is derived from the latest available audited financial statements and from unaudited results as appropriate.

A summary of the group's share of the assets and liabilities of its joint ventures is as follows:

	Total £000
Current assets	20,301
Gross assets	20,301
Liabilities due within one year	10,146
Liabilities due after one year or more	5,056
Gross liabilities	15,202
Net assets	5,099

Notes to the accounts *continued***13 Fixed asset investments – company**

Cost and net book value of subsidiaries at 30th June 2002 and 30th June 2001 50

14 Trading properties and developments

These assets, which include housebuilding joint developments, are stated in the accounts at the lower of cost and net realisable value and are shown net of payments on account of £19,860,000 (2001 – £23,350,000). Cost includes interest of £2,312,000 (2001 – £2,371,000).

15 Debtors

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Trade debtors	5,167	6,765	–	–
Owed by group company	–	–	47	100
Owed by joint ventures	4,438	7,298	–	–
Other debtors	1,997	4,784	–	1
Prepayments and accrued income	822	1,216	–	–
	12,424	20,063	47	101
Amounts due after more than one year:				
Owed by joint ventures	2,519	17,066	–	–
	14,943	37,129	47	101

16 Cash at bank and in hand

	Group	
	2002	2001
	£000	£000
Cash at bank	287	1,292
Short term deposits	145,100	147,900
	145,387	149,192

Short term deposits were placed on money markets at an average rate of 3.5%.

Notes to the accounts *continued***17 Creditors falling due within one year**

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Unsecured loans and bank overdrafts	76,968	1,811	—	—
Secured loans	31,437	114,945	—	—
Other loans	—	50	—	50
Trade creditors	6,994	5,909	—	—
Corporation tax	4,467	3,985	—	1
Other taxation and social security	134	111	—	—
Other creditors	359	7,161	—	—
Accruals and deferred income	25,069	26,649	—	2
	145,428	160,621	—	53

18 Creditors falling due after more than one year

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Loans and debentures (note 19)	211,889	302,453	—	—

Notes to the accounts *continued***19 Loans and debentures**

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Unsecured				
£100,000,000 8% loan notes 2007	102,650	102,650	—	—
£79,375,000 loan notes 2003	67,415	51,351	—	—
Guaranteed loan notes 2002	9,191	11,048	—	—
£5,000,000 10% loan notes 2003	5,000	5,000	—	—
Other loans	—	50	—	50
Overdrafts	362	1,811	—	—
	184,618	171,910	—	50
Secured				
Bank loan	130,808	245,500	—	—
11.28% mortgage 1992/2007	7,032	7,654	—	—
13.25% mortgage 1983/2003	160	465	—	—
	138,000	253,619	—	—
Facility costs	(2,324)	(6,270)	—	—
	135,676	247,349	—	—
Gross debt	320,294	419,259	—	50
Amounts due within one year	(108,405)	(116,806)	—	(50)
	211,889	302,453	—	—

Security for the secured borrowings is provided by fixed and floating charges over the group's assets.

20 Financial instruments

The group finances its activities through a mixture of equity, bonds, public and private debt issues and bank borrowings, and places surplus cash on short-term deposit. The principal objectives are to ensure the availability of sufficient, flexible sources of finance to meet the requirements of the group's current and anticipated property activities at the lowest achievable cost. All significant financings and derivative transactions are approved by the board.

All borrowing facilities are in sterling, and have a spread of maturities. Interest rate swaps, caps and collars are used to manage the proportions of debt at fixed, capped and floating rates of interest. No speculative treasury transactions are undertaken.

At 30th June 2002, the group had one interest rate swap contract outstanding, converting £20 million of fixed rate borrowings into floating rate for a remaining period of one year. Under the terms of an interest rate cap, the LIBOR rate on £25 million of floating rate debt is capped at 6.5% until January 2003. As the cap is not currently triggered the underlying debt has been classified as floating rate.

The disclosures below exclude short-term debtors and creditors.

Notes to the accounts *continued***20 Financial instruments *continued***

Maturity of borrowings	2002 £000	2001 £000
Within one year	108,405	116,806
One to two years	104,135	194,160
Two to five years	5,104	2,310
After five years	102,650	105,983
	320,294	419,259
Interest rate profile – including the effect of derivatives	2002 £000	2001 £000
Fixed rates	162,257	147,120
Floating rates	158,037	272,139
	320,294	419,259

The weighted average interest rate for borrowings at fixed rates is 16.7% (2001 – 15.6%) and the weighted average period for which rates are fixed is 3.2 years (2001 – 4.5 years).

Interest rates on floating rate debt are set for periods of the group's choosing by reference to the relevant LIBOR.

	Book value 2002 £000	Fair value 2002 £000	Book value 2001 £000	Fair value 2001 £000
Fair values of financial assets and financial liabilities				
Cash and short term deposits	145,387	145,387	149,192	149,192
Borrowings	(320,294)	(322,454)	(419,259)	(419,353)
Interest rate swaps	–	685	–	455

Market values have been used to determine the fair value of swaps and listed long-term borrowings. The fair value of bank loans and overdrafts is the same as the book value. Unlisted mortgage loans have been valued by discounting the expected future cash flows at prevailing market interest rates.

Expiry of undrawn committed borrowing facilities	2002 £000	2001 £000
Within one year	20,000	33,452
One to two years	37,451	48,198
	57,451	81,650

Notes to the accounts *continued***21 Provisions for liabilities and charges**

	Deferred taxation £000	Pension scheme £000	Rectification costs £000	Lease obligation £000	Total £000
Group					
At 30th June 2001					
as previously reported	11,533	1,000	14,857	1,300	28,690
prior period adjustments (note 24) (9,553)	—	—	—	—	(9,553)
as restated	1,980	1,000	14,857	1,300	19,137
Movements during the year					
(reduction)/increase in provision	(1,499)	—	1,850	300	651
utilised	—	(33)	(10,382)	(100)	(10,515)
At 30th June 2002	481	967	6,325	1,500	9,273

The sources of the balance on deferred taxation account and the amounts involved if deferred taxation had been provided in full are as follows:

	Amount provided		Full position	
	2002	2001 restated	2002	2001
	£000	£000	£000	£000
Surpluses on revaluation in excess of capital losses	—	—	1,717	6,580
Capital allowances in excess of depreciation	182	1,620	182	1,620
Short term timing differences	299	360	299	360
	481	1,980	2,198	8,560

Provision has been made for the estimated deficit and costs arising on the winding up of the defined benefit pension scheme and for other pension contributions.

Provision has been made for the estimated costs of rectifying faults in the conversion of a Grade II listed building to residential apartments. Construction specialists and lawyers are investigating this complex situation and are advising the group on its rights of redress. No further details are disclosed as to do so may prejudice the eventual outcome.

The group has rental obligations under a lease entered into in 1989 and expiring 2014 in respect of a property, which is no longer occupied by the group. The unavoidable costs associated with the lease are expected to exceed the income that can be earned from a sub-letting or assignment.

Notes to the accounts *continued***22 Share capital**

Authorised	2002	2001
	£	£
51,000, 'A' redeemable ordinary shares of 1p each	510	510
49,000, 'B' ordinary shares of 1p each	490	490
		Number of shares
Allotted, called up and fully paid		
'B' ordinary shares of 1p each		
At 30th June 2002 and 30th June 2001	45.57	4,557

The 'A' redeemable ordinary shares and the 'B' ordinary shares entitle the holders to one vote for each share. On a winding up of the company, the capital of the 'A' shares is to be repaid in priority to the capital of the 'B' shares. Holders of the 'A' shares are entitled to receive a fixed cumulative preferential dividend equal to 1p per share in respect of any financial year, but shall not participate in the ordinary dividends of the company.

The Royal Bank of Scotland plc has a warrant to subscribe for 343 'B' ordinary shares in the company at par which may be exercised at any time and shall remain in force unless purchased by the company or surrendered by the holders.

Holders of the £79,375,000 loan notes have warrants to subscribe for the authorised 'A' redeemable ordinary shares in the company at par in the event of a default by the group in respect of those loan notes. If the 'A' shares are issued and the loan notes are subsequently repaid in full, the 'A' shares are to be redeemed at par.

Notes to the accounts *continued***23 Reserves**

	Revaluation reserve £000	Profit and loss account £000
Group		
At 30th June 2001		
as previously reported	3,512	11,146
prior period adjustments (note 24)	638	2,095
as restated	4,150	13,241
Loss for the year	—	(3,900)
Surplus on revaluation of properties held for investment		
group companies	3,442	—
joint ventures	(57)	—
Realisation of property revaluation gains and losses of previous years	(1,638)	1,638
Taxation on realisation of investment property revaluation surpluses	—	(5,694)
At 30th June 2002	5,897	5,285
Company		
At 30th June 2001		98
Loss for the year		(1)
At 30th June 2001		97

24 Prior period adjustments

The prior period adjustments represent the effect of implementing the new Financial Reporting Standard FRS19 "Deferred tax". Under FRS19 the group is required to make full provision for deferred tax in respect of timing differences that have occurred but not reversed by the balance sheet date. The standard states that deferred tax should not be recognised on surpluses arising on the revaluation of properties unless the group had entered into a binding agreement to sell the property at the balance sheet date.

Deferred tax amounting to £11,173,000 previously provided in respect of revaluation surpluses has been released as at 30th June 2001 and a provision of £1,620,000 has been made at that date for the timing differences in respect of capital allowances. Goodwill has been restated by £6,823,000 (net) and reserves by £2,733,000.

Adoption of FRS19 has resulted in the profit and loss account tax charge for the period ended 30 June 2001 being increased by £369,000. The tax charge for the year ended 30th June 2002 has been reduced by £1,438,000.

Notes to the accounts *continued*

25 Capital commitments

Capital expenditure of £2,439,000 (2001 – £977,000) had been contracted by the group at 30th June 2002, but not provided in the accounts.

No capital expenditure had been contracted by the company at either 30th June 2002 or 30th June 2001.

26 Lease commitments

The group has commitments during the next year under operating leases in respect of land and buildings as follows:

	2002 £000	2001 £000
Leases expiring within 1 year	–	266
Leases expiring after more than 5 years	500	500

27 Pension schemes

The group's principal pension commitment is fulfilled by a defined contribution scheme for directors and senior executives. Contributions in respect of the year were £326,000 (2001 – £153,000). The assets of the scheme are held separately from those of the group.

The group operates a defined contribution scheme for other eligible employees. Contributions in respect of the year were £40,000 (2001 – £28,000). The assets of the scheme are held separately from those of the group in personal pension plans invested with insurance companies.

In addition to its defined contribution pension schemes, the group operated a defined benefit pension scheme for certain employees until 1st February 2002 when the trustees initiated the winding up of the scheme. Contributions to the scheme were £116,000 (2001 – £53,000).

A full actuarial valuation was carried out at 1st July 2001 which showed a deficit on the partly equity related MFR basis at that date, the MFR solvency level being 97%. This was equivalent to a shortfall of approximately £90,000 at 1st July 2001.

Any eventual liability of the group in respect of the scheme will be calculated once the final transfer values are determined. Included within the provision for contributions to pension schemes shown in Note 21 is an allowance for any deficit arising on the winding up of the scheme.

There is no disclosure of any asset or liability which would arise under Financial Reporting Standard No 17 ("Retirement Benefits") transitional arrangements because the scheme is in the process of being wound up and the liability will be restricted to any debt on wind up certified by the scheme actuary.

The assets of the scheme are held separately from those of the group and are managed by a leading insurance company.

Notes to the accounts *continued*

28 Related party transactions

The group's joint venture activities (see note 13) gave rise to the following transactions:

- (a) Frogmore Developments Limited, a wholly-owned subsidiary, had provided a loan to Puddle Dock (Holdings) Limited, which was repaid during the year (2001 – £4,753,000), and charged interest of £104,000 (2001 – £198,000) during the year at a fixed rate of 8.66%;
- (b) a loan provided by Frogmore Developments Limited to Grange Park Developments Limited amounted to £1,829,000 at 30th June 2002 (2001 – £8,356,000). Interest of £337,000 (2001 – £415,000) was charged during the year by reference to bank base rates;
- (c) a loan provided by Frogmore Developments Limited to Royston Developments Limited amounted to £1,605,000 at 30th June 2002 (2001 – £1,507,000). Interest of £98,000 (2001 – £55,000) was charged during the year by reference to bank base rates;
- (d) a loan provided by Frogmore Developments Limited to FSH Airport (Edinburgh) Services Limited amounted to £2,834,000 at 30th June 2002 (2001 – £2,645,000). Interest of £189,000 (2001 – £110,000) was charged by reference to bank base rates;
- (e) an interest free loan advanced by Apsley Partnership Investments Limited, a wholly-owned subsidiary, to The Apsley Property Limited Partnership was repaid during the year (2001 – £5,625,000). The company received distributions of £4,750,000 (2001 – £825,000) from the partnership;
- (f) Atherton Investments Limited, a wholly-owned subsidiary, provided an interest free loan to Apsley General Partner Limited which was repaid during the year (2001 – £38,000); and
- (g) during the year, Atherton Investments Limited provided funding to Southwark Land Regeneration Holdings Limited which amounted to £4,600,000 (2001 – £2,940,000) at 30th June 2002. Interest of £nil (2001 – £91,000) was charged during the year by reference to bank base rates.

Frogmore Developments Limited has appointed Edward Ware New Homes Limited ("Edward Ware") as project manager to carry out two housebuilding joint developments. The appointments, which entitle Edward Ware to reimbursement of project costs and half the net profit from these developments, have been made in the ordinary course of business and are on similar terms to those for the group's other housebuilding joint developments. Mr D J Cope is a non-executive director and holder of 25% of the equity share capital of Edward Ware. During the year under review net development costs of £1,233,000 were paid to Edward Ware pursuant to these arrangements.

On 26th June 2002 Frogmore Estates Limited provided a guarantee of up to £5 million (together with interest accrued thereon and the costs of recovering such monies and in enforcing the guarantee) in respect of a guarantee provided by Frogmore Property Company Limited ("FPC") to Uberior Investments plc ("Uberior") in respect of a facility made available by Uberior to Frogmore Residential Limited, 50% of the issued share capital of which is owned by FPC. D J Cope and J P White own or are interested in the entire issued share capital of FPC.

29 Contingent liabilities

The company has guaranteed bank borrowings and certain other liabilities of a subsidiary, all of which are included in the group balance sheet.

Frogmore Developments Limited ("FDL") sold development land for £16,657,000 on terms which gave the purchaser the option to require FDL to repurchase the site if certain conditions were not satisfied. It is expected that all conditions will be satisfied and the option will lapse.

Frogmore Estates Limited has guaranteed the guarantee of Frogmore Company Limited referred to in Note 28 above.