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**THE PHOENIX PROPERTY
AND INVESTMENT
COMPANY, LIMITED**

**Financial Statements
30 September 2001**

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Financial statements for the year ended 30 September 2001

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THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Directors, officers and advisers

Directors

J. Brock, M.A. (Cantab) (Chairman)

M. Vass

Amanda Birkert, B.A. (Hons.)

Secretary

M. Vass

Registered Office

Russell Square House

10-12 Russell Square

London WC1B 5LF

Auditors

Chantrey Vellacott DFK

Russell Square House

10-12 Russell Square

London WC1B 5LF

Bankers

National Westminster Bank plc

67 High Street

Sevenoaks

Kent

TN13 1LA

Solicitors

Penningtons

Bucklersbury House

83 Cannon Street

London

EC4N 8PE

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twelfth Annual General Meeting of The Phoenix Property and Investment Company, Limited will be held at Russell Square House, 10-12 Russell Square, London WC1 on 29 April 2002 at 12 noon to transact the following business:

1. To receive the reports of the directors and auditors and the financial statements for the year ended 30 September 2001.
2. To declare dividends on the Ordinary shares and on the Founders' shares.
3. To re-elect a director retiring by rotation.
4. To reappoint the auditors and authorise the directors to fix their remuneration.

By order of the Board

M. VASS

Secretary

26 March 2002

Registered Office:
Russell Square House
10-12 Russell Square
London WC1B 5LF

NOTE: A member entitled to attend and vote at a general meeting of the company is entitled to appoint a proxy to attend and vote instead of him, and that proxy need not also be a member.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Directors' report for the year ended 30 September 2001

The directors present their report and the audited financial statements for the year ended 30 September 2001.

Activities

The principal activity of the company continued to be property investment.

Review of business

There was no change in the property portfolio during the year but the two rent reviews in progress last year and a third rent review arising during the year have been concluded giving rise to an increase in rents receivable.

Profit before tax for the year was £340,985 as against £327,941 in the previous year. After tax, the profit for the year was £267,934, a 3.4% increase on the previous year.

The full results are shown in the profit and loss account on page 6.

Future developments

The directors regularly review the property portfolio to ensure it is structured in the best way to take advantage of the changing property market.

Dividends

An interim dividend was paid on 22 October 2001 of £64,709. A final dividend of £116,250 is proposed, payable on 29 April 2002. Details of dividends on ordinary shares and the comparable amounts on Founders' shares are given in note 6 to the financial statements.

Fixed assets

The movements in tangible assets and investments are disclosed in notes 7 and 8 to the financial statements.

Attention is drawn to the accounting policy on realisation of fixed assets as stated in note 1(d).

Interests in land

Having consulted their professional advisers, the directors have carried forward the properties at a valuation of £4,805,000 which they consider represents the market value of the portfolio at the balance sheet date.

Directors

The directors who served during the year were:

J. Brock, M.A. (Cantab) (Chairman)

M. Vass

Amanda Birkert, B.A. (Hons)

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Directors' report for the year ended 30 September 2001

Directors' interests in shares

The following were the beneficial interests of the directors in the shares of the company:

	At 1 October 2000		At 30 September 2001	
	Founders' shares	Ordinary shares	Founders' shares	Ordinary shares
J. Brock	100	1,752	100	1,790
M. Vass	100	1,355	100	1,355
Amanda Birkert	150	2,069	150	2,069

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 for that year. In preparing those financial statements, the directors are required to:

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

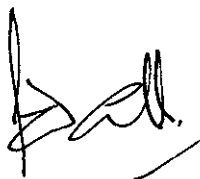
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Auditors

A resolution concerning the reappointment of Chantrey Vellacott DFK as auditors of the company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

M. VASS



Director/Secretary

6 February 2002

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Independent Auditors' report to the Shareholders of The Phoenix Property and Investment Company, Limited

We have audited the financial statements of The Phoenix Property and Investment Company, Limited for the year ended 30 September 2001 which are set out on pages 6 to 14. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the 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 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 30 September 2001 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


CHANTREY VELLACOTT DFK

Chartered Accountants
Registered Auditors
London

6 February 2002

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Profit and loss account

For the year ended 30 September 2001

	Notes	2001 £	2000 £
Rents receivable		425,043	418,072
Outgoings on properties		<u>(16,321)</u>	<u>(15,732)</u>
Net income from properties		408,722	402,340
Administrative expenses		<u>(56,168)</u>	<u>(52,031)</u>
Operating profit		352,554	350,309
Surplus/(deficit) on disposal of fixed assets	2	1,280	(1,105)
Income from fixed asset investments	3	3,046	2,812
Interest receivable	3	3,424	2,998
Interest payable	3	<u>(19,319)</u>	<u>(27,073)</u>
Profit on ordinary activities before taxation	3	340,985	327,941
Tax on profit on ordinary activities	5	<u>(73,051)</u>	<u>(68,823)</u>
Profit for the financial year		267,934	259,118
Dividends	6	<u>(180,959)</u>	<u>(180,959)</u>
Profit retained for the year		<u>86,975</u>	<u>78,159</u>
Statement of retained profits			
Profit retained for the year		86,975	78,159
Transfer of realised profits/(losses) on investments	13(b)	<u>9,012</u>	<u>(720)</u>
		95,987	77,439
Retained profits brought forward		<u>4,287,089</u>	<u>4,209,650</u>
Retained profits carried forward		<u>4,383,076</u>	<u>4,287,089</u>

The movements on the revaluation reserve relating to properties and the unrealised appreciation on investments reserve are shown in note 13 on pages 13 and 14.

None of the company's activities was acquired or discontinued during the above two financial years.

The notes on pages 9 to 14 form part of these financial statements.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Statement of total recognised gains and losses For the year ended 30 September 2001

	2001 £	2000 £
Profit for the financial year	267,934	259,118
Unrealised (losses)/gains on revaluations for the financial year -		
Properties	-	4,149
Investments	(44,266)	24,981
Total gains and losses recognised since last financial statements	223,668	288,248

The above movements in gains and losses are derived from the Reserve accounts as shown in Notes 13(a) and 13(b) on pages 13 and 14.

Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Total gains and losses recognised since last financial statements	223,668	288,248
Dividends	(180,959)	(180,959)
Net addition to shareholders' funds	42,709	107,289
Opening shareholders' funds	4,410,413	4,303,124
Closing shareholders' funds	4,453,122	4,410,413

Note of historical cost profits and losses

	2001 £	2000 £
Reported profit on ordinary activities before taxation	340,985	327,941
Realisation of property and investment revaluation gains/(losses) of previous years	9,012	(720)
Historical cost profit for the year on ordinary activities before taxation	349,997	327,221
Historical cost profit retained for the year after taxation and dividends	95,987	77,439

The notes on pages 9 to 14 form part of these financial statements.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

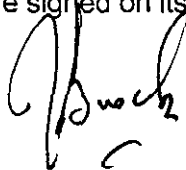
Balance sheet as at 30 September 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	4,805,000	4,805,000
Investments	8	115,406	166,486
		<u>4,920,406</u>	<u>4,971,486</u>
Current assets			
Debtors	9	66,306	80,404
Cash at bank		71,899	73,774
		<u>138,205</u>	<u>154,178</u>
Creditors: amounts falling due within one year	10	<u>(465,489)</u>	<u>(475,251)</u>
Net current liabilities		<u>(327,284)</u>	<u>(321,073)</u>
Total assets less current liabilities		4,593,122	4,650,413
Creditors: amounts falling due after more than one year	11	<u>(140,000)</u>	<u>(240,000)</u>
Net assets		<u>4,453,122</u>	<u>4,410,413</u>
Capital and reserves			
Called up share capital	12	10,000	10,000
Revaluation reserve - Properties	13(a)	58,198	58,198
Unrealised appreciation on investments reserve	13(b)	1,848	55,126
Profit and loss account		4,383,076	4,287,089
Shareholders' funds		<u>4,453,122</u>	<u>4,410,413</u>

The financial statements on pages 6 to 14 were approved by the board of directors on 6 February 2002 and were signed on its behalf by:

J. BROCK

Director



The notes on pages 9 to 14 form part of these financial statements.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2001

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, as modified by the revaluation of fixed assets.

The company has taken advantage of the exemption in financial reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

(b) Freehold and long leasehold land and buildings

Freehold and long leasehold land and buildings are stated in the balance sheet at open market value and any resulting surplus over cost is transferred to the revaluation reserve. No provision is made for tax which would arise on capital gains if the properties were sold at open market value at the balance sheet date.

(c) Listed investments

Listed investments are stated in the balance sheet at middle market values at the balance sheet date. The amount by which the valuation of investments exceeds their book value is shown under reserves as unrealised appreciation on investments. No provision is made for tax which would arise on capital gains if the investments were sold at their market value at the balance sheet date.

(d) Realisation of fixed assets

In accordance with FRS3, the profit or loss on disposal of a fixed asset is accounted for in the profit and loss account of the period in which the disposal occurs as the difference between the sale proceeds and the net carrying amount, whether carried at historical cost or at a valuation. Any valuation surplus on such asset, by which the net carrying amount exceeds historical cost, is released, on disposal, from the relevant reserve and shown as realised profit in the statement of retained profits.

(e) Taxation

Current and deferred taxation is based on the profit for the year and includes all taxation liabilities accruing to the date of these financial statements.

Deferred taxation is provided in respect of timing differences between the profit as shown in the financial statements and profit as computed for tax purposes.

(f) Value added tax

The company is registered for value added tax and has elected to waive exemption on properties, with the exception of two properties. Input tax on services relating to elected properties is recoverable. Input tax on administrative expenditure and services relating to the company's other properties is not necessarily recoverable, and the amount of any such tax is included with the relevant expenditure.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2001

2.	Surplus on disposal of fixed assets	2001	2000
		£	£
	Surplus/(deficit) on disposal of fixed assets based on carrying value:		
	Listed investments	<u>1,280</u>	<u>(1,105)</u>
3.	Profit on ordinary activities before taxation	2001	2000
		£	£
	This is stated after crediting:		
	Income from listed investments -		
	Franked U.K. dividends	2,950	2,726
	Unfranked income	<u>96</u>	<u>86</u>
		<u>3,046</u>	<u>2,812</u>
In accordance with Financial Reporting Standard 16 franked UK dividends received have been stated net of UK tax credits. The comparative figures have been restated on a comparable basis.			
	Interest receivable -		
	Bank deposit interest	3,171	2,711
	Other	<u>253</u>	<u>287</u>
		<u>3,424</u>	<u>2,998</u>
	and after charging:		
	Interest payable -		
	On bank loan	<u>19,319</u>	<u>27,073</u>
	Directors' emoluments:		
	Fees	28,440	24,570
	Auditors' remuneration	<u>3,896</u>	<u>4,178</u>

4. Employee information

There were no employees with contracts of service with the company and all of the directors were non executive.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2001

5.	Taxation	2001 £	2000 £
(a)	United Kingdom corporation tax based on the profits for the year at an effective rate of 21.7% (2000 : 21.4%)	74,200	69,700
	Tax attributable to foreign investment income	34	30
	Over provision in previous years	(1,183)	(907)
		<u>73,051</u>	<u>68,823</u>

- (b) **Potential taxation on disposal of fixed assets**
No material tax liability would arise on the disposal of properties and listed investments at their valued amounts (see accounting policy notes 1(b) and 1(c)).

6.	Dividends	2001		2000	
		£ per share	£	£ per share	£
	Founders' shares				
	- interim	45.942	32,159	45.942	32,159
	- proposed final	83.036	58,125	83.036	58,125
		<u>128.978</u>	<u>90,284</u>	<u>128.978</u>	<u>90,284</u>
	Ordinary shares				
	- interim	3.50	32,550	3.50	32,550
	- proposed final	6.25	58,125	6.25	58,125
		<u>9.75</u>	<u>90,675</u>	<u>9.75</u>	<u>90,675</u>
	Total dividends for the year		<u>180,959</u>		<u>180,959</u>

7.	Tangible fixed assets	Freehold £	Long leasehold £	Total £
	Land and buildings at cost:			
	At 1 October 2000 and at 30 September 2001	<u>3,176,251</u>	<u>1,570,551</u>	<u>4,746,802</u>
	At valuation:			
	At 1 October 2000 and at 30 September 2001	<u>3,255,000</u>	<u>1,550,000</u>	<u>4,805,000</u>

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2001

7. Tangible fixed assets

The company's property portfolio at 30 September 2001 was valued by the directors having taken professional advice.

The non-provision of depreciation on freehold and long leasehold properties is in accordance with SSAP 19 but constitutes a departure from the provisions contained in the Companies Act. This departure is necessary to enable the financial statements to give a true and fair view and is required by Section 226(5) of the Companies Act 1985.

8. Investments £

Movements during the year, at cost:

At 1 October 2000	111,360
Additions	14,791
Disposals	(12,593)
At 30 September 2001	<u>113,558</u>

Holdings at year end:

	2001		2000	
	Cost £	Market value £	Cost £	Market value £
Equities (U.K. companies)	95,473	96,421	93,434	140,847
Equities (European companies)	6,165	7,509	6,006	7,273
Unit trusts	11,920	11,476	11,920	18,366
	<u>113,558</u>	<u>115,406</u>	<u>111,360</u>	<u>166,486</u>

All investments held at 30 September 2001 were listed or otherwise dealt with on a recognised stock exchange.

See also Note 1(c).

9. Debtors	2001 £	2000 £
Sundry debtors	<u>66,306</u>	<u>80,404</u>

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2001

10.	Creditors: amounts falling due within one year	2001	2000
		£	£
	Interim and proposed final dividends (note 6)	180,959	180,959
	Taxation	78,689	80,159
	Bank loans (note 11)	80,000	80,000
	Accruals and deferred income	125,841	134,133
		<u>465,489</u>	<u>475,251</u>

11.	Creditors: amounts falling due after more than one year	2001	2000
		£	£
	Amounts repayable within five years – bank loan (secured)	220,000	320,000
	Less amounts included in current liabilities (note 10)	(80,000)	(80,000)
		<u>140,000</u>	<u>240,000</u>

The loan is secured by a first legal charge over a freehold property. £80,000 is repayable between one and two years and £60,000 between two and five years from the balance sheet date.

12.	Called up share capital	2001	2000
		£	£
	Authorised, allotted, called up and fully paid:		
	700 Founders' shares of £1 each	700	700
	9,300 Ordinary shares of £1 each	9,300	9,300
		<u>10,000</u>	<u>10,000</u>

The Founders' shares and Ordinary shares have different rights as to dividends. The Ordinary shareholders have a first charge on the dividends payable for a year of 4.2 pence per share. The balance of the dividends is payable 50% to the Founders' shareholders and 50% to the Ordinary shareholders.

13.	(a) Revaluation reserve - properties	2001	2000
		£	£
	Balance at 1 October 2000	58,198	54,049
	Increase in valuation at 30 September 2001	-	4,149
		<u>58,198</u>	<u>58,198</u>

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2001

13. Revaluation reserve

(b) Unrealised appreciation on investments reserve	2001 £	2000 £
Balance at 1 October 2000	55,126	29,425
Transfer of realised (profits)/losses attributable to disposals during year	(9,012)	720
(Decrease)/increase in value during year	<u>(44,266)</u>	<u>24,981</u>
Balance at 30 September 2001	<u>1,848</u>	<u>55,126</u>

14. Close company

The close company provisions of the Income and Corporation Taxes Act 1988 apply to this company.