

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

**Financial Statements
30 September 2003**

6

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Financial statements for the year ended 30 September 2003

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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

A W S Bullock

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

Property agents

Mellersh & Harding

6 Duke Street

St. James's

London

SW1Y 6BN

Chantrey Vellacott DFK

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notice of Annual General Meeting

Notice is hereby given that the one hundred and fourteenth 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 28 April 2004 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 2003.
2. To declare dividends on the Ordinary shares and on the Founders' shares.
3. To re-elect a director retiring by rotation.
4. To approve the directors' remuneration from 1 October 2003.
5. To reappoint the auditors and authorise the directors to fix their remuneration.

By order of the Board

A W S BULLOCK

Secretary

25 March 2004

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 2003

The directors present their report and the audited financial statements for the year ended 30 September 2003.

Activities

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

Review of business

There was no change in the property portfolio nor any rent review concluded during the year and all properties were fully let.

The increase in rents receivable reflects a full year's rental income on the properties benefiting from rent reviews in 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 2003 of £69,359. A final dividend of £120,900 is proposed, payable on 28 April, 2004. 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 £5,150,000 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 2003

Directors' interests in shares

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

	At 1 October 2002		At 30 September 2003	
	Founders' shares	Ordinary shares	Founders' shares	Ordinary shares
J. Brock	100	1,790	100	1,790
M. Vass	100	1,355	100	1,355
Amanda Birkert	150	2,069	150	2,069

Statement of 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


A W S BULLOCK

Secretary

28 January 2004

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 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and related notes. 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.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board of the Accountancy Foundation. 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 2003 and of its profit 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

28 January 2004

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Profit and loss account

For the year ended 30 September 2003

	Notes	2003 £	2002 £
Rents receivable		438,699	430,007
Outgoings on properties		<u>(14,122)</u>	<u>(23,125)</u>
Net income from properties		424,577	406,882
Administrative expenses		<u>(57,875)</u>	<u>(56,424)</u>
Operating profit		366,702	350,458
(Deficit)/surplus on disposal of fixed assets	2	(592)	106
Income from fixed asset investments	3	2,308	2,515
Interest receivable	3	2,392	2,432
Reversal of amounts written off investments		10,910	(22,547)
Interest payable	3	<u>(5,877)</u>	<u>(10,546)</u>
Profit on ordinary activities before taxation	3	375,843	322,418
Tax on profit on ordinary activities	5	<u>(77,664)</u>	<u>(72,648)</u>
Profit for the financial year		298,179	249,770
Dividends	6	<u>(190,259)</u>	<u>(185,609)</u>
Profit retained for the year		<u>107,920</u>	<u>64,161</u>
Statement of retained profits			
Profit retained for the year		107,920	64,161
Transfer of realised profits on investments	13(b)	-	91
Retained profits brought forward		<u>107,920</u> 4,447,328	<u>64,252</u> 4,383,076
Retained profits carried forward		<u>4,555,248</u>	<u>4,447,328</u>

The movements on the revaluation reserve relating to properties and the unrealised appreciation on investments reserve are shown in note 13 on page 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 2003

	2003 £	2002 £
Profit for the financial year	298,179	249,770
Unrealised gains/(losses) on revaluations for the financial year -		
Properties	150,000	195,000
Investments	-	(1,757)
Total gains and losses recognised since last financial statements	448,179	443,013

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

Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Total gains and losses recognised since last financial statements	448,179	443,013
Dividends	(190,259)	(185,609)
Net addition to shareholders' funds	257,920	257,404
Opening shareholders' funds	4,710,526	4,453,122
Closing shareholders' funds	4,968,446	4,710,526

Note of historical cost profits and losses

	2003 £	2002 £
Reported profit on ordinary activities before taxation	375,843	322,418
Realisation of investment revaluation gains of previous years	-	91
Historical cost profit for the year on ordinary activities before taxation	375,843	322,509
Historical cost profit retained for the year after taxation and dividends	107,920	64,252

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 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	7	5,150,000	5,000,000
Investments	8	102,667	93,038
		<u>5,252,667</u>	<u>5,093,038</u>
Current assets			
Debtors	9	35,960	62,384
Cash at bank		141,120	98,498
		<u>177,080</u>	<u>160,882</u>
Creditors: amounts falling due within one year	10	<u>(461,301)</u>	<u>(483,394)</u>
Net current liabilities		<u>(284,221)</u>	<u>(322,512)</u>
Total assets less current liabilities		<u>4,968,446</u>	<u>4,770,526</u>
Creditors: amounts falling due after more than one year	11	<u>-</u>	<u>(60,000)</u>
Net assets		<u>4,968,446</u>	<u>4,710,526</u>
Capital and reserves			
Called up share capital	12	10,000	10,000
Revaluation reserve - Properties	13(a)	403,198	253,198
Unrealised appreciation on investments reserve	13(b)	-	-
Profit and loss account		4,555,248	4,447,328
		<u>4,555,248</u>	<u>4,447,328</u>
Shareholders' funds		<u>4,968,446</u>	<u>4,710,526</u>

The financial statements on pages 6 to 14 were approved by the board of directors on 28 January 2004 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 2003

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 all material 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 2003

2.	(Deficit)/surplus on disposal of fixed assets	2003	2002
		£	£
	(Deficit)/surplus on disposal of fixed assets based on carrying value:		
	Listed investments	<u>(592)</u>	<u>106</u>
3.	Profit on ordinary activities before taxation	2003	2002
		£	£
	This is stated after crediting:		
	Income from listed investments -		
	Franked U.K. dividends	2,186	2,410
	Unfranked income	<u>122</u>	<u>105</u>
		<u>2,308</u>	<u>2,515</u>
	Interest receivable -		
	Bank deposit interest	2,083	1,922
	Other	<u>309</u>	<u>510</u>
		<u>2,392</u>	<u>2,432</u>
	and after charging:		
	Interest payable -		
	On bank loan	<u>5,877</u>	<u>10,546</u>
	Directors' emoluments:		
	Fees	29,704	29,094
	Auditors' remuneration	<u>3,600</u>	<u>3,687</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 2003

5. Taxation	2003 £	2002 £
(a) Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year	78,000	72,800
Adjustments in respect of previous years	(360)	(178)
Double tax relief	(18)	(10)
Foreign tax	42	36
Total current tax (note 5b) and tax on profit on ordinary activities	<u>77,664</u>	<u>72,648</u>

(b) Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK 21.53% (2002 : 21.30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>375,843</u>	<u>322,418</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.53% (2002 : 21.30%)	80,936	68,673
Effects of:		
Deficit on disposal of listed investments	127	-
Reversal of unrealised loss on revaluation of listed Investments	(2,349)	4,803
UK dividends not taxable	(471)	(513)
Capital allowances for year in excess of depreciation	(243)	(240)
Capital gains higher than accounts profits on sale	-	83
Higher tax rates on overseas earnings	24	20
Adjustments to tax charge in respect of previous years	(360)	(178)
Current tax charge for year (note 5(a))	<u>77,664</u>	<u>72,648</u>

(c) 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)).

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2003

6. Dividends	£ per share	2003 £	£ per	2002
Founders' shares				
- interim	49.263	34,484	49.263	34,484
- proposed final	86.357	60,450	83.036	58,125
	<u>135.620</u>	<u>94,934</u>	<u>132.299</u>	<u>92,609</u>
Ordinary shares				
- interim	3.75	34,875	3.75	34,875
- proposed final	6.50	60,450	6.25	58,125
	<u>10.25</u>	<u>95,325</u>	<u>10.00</u>	<u>93,000</u>
Total dividends for the year		<u>190,259</u>		<u>185,609</u>

7. Tangible fixed assets	Freehold £	Long leasehold £	Total £
Land and buildings at cost:			
At 1 October 2002 and at 30 September 2003	<u>3,176,251</u>	<u>1,570,551</u>	<u>4,746,802</u>
At valuation:			
At 1 October 2002	3,355,000	1,645,000	5,000,000
Increase in valuation at 30 September 2003	<u>150,000</u>	<u>-</u>	<u>150,000</u>
At 30 September 2003	<u>3,505,000</u>	<u>1,645,000</u>	<u>5,150,000</u>

The company's property portfolio at 30 September 2003 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.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2003

8.	Investments	£
	Movements during the year, at cost:	
	At 1 October 2002	115,585
	Additions	14,438
	Disposals	(22,930)
	At 30 September 2003	<u>107,093</u>

Holdings at year end:

	2003		2002	
	Cost £	Market value £	Cost £	Market value £
Equities (U.K. companies)	93,968	87,468	97,499	75,055
Equities (European companies)	6,165	6,585	6,165	7,181
Unit trusts	6,960	8,614	11,921	10,802
	<u>107,093</u>	<u>102,667</u>	<u>115,585</u>	<u>93,038</u>

All investments held at 30 September 2003 were listed or otherwise dealt with on a recognised stock exchange.

See also Note 1(c).

9.	Debtors	2003 £	2002 £
	Sundry debtors	<u>35,960</u>	<u>62,384</u>
10.	Creditors: amounts falling due within one year	2003 £	2002 £
	Interim and proposed final dividends (note 6)	190,259	185,609
	Taxation	86,497	76,959
	Bank loans (note 11)	60,000	80,000
	Accruals and deferred income	124,545	140,826
		<u>461,301</u>	<u>483,394</u>

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 2003

11.	Creditors: amounts falling due after more than one year	2003	2002
		£	£
	Amounts repayable within five years – bank loan (secured)	60,000	140,000
	Less amounts included in current liabilities (note 10)	(60,000)	(80,000)
		<u>-</u>	<u>60,000</u>

The loan is secured by a first legal charge over a freehold property.

12.	Called up share capital	2003	2002
		£	£
	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	2003	2002
		£	£
	Balance at 1 October 2002	253,198	58,198
	Increase in valuation at 30 September 2003	150,000	195,000
	Balance at 30 September 2003	<u>403,198</u>	<u>253,198</u>
	(b) Unrealised appreciation on investments reserve	2003	2002
		£	£
	Balance at 1 October 2002	-	1,848
	Transfer of realised profits attributable to disposals during year	-	(91)
	Decrease in value during year	-	(1,757)
	Balance at 30 September 2003	<u>-</u>	<u>-</u>

14. Close company

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