

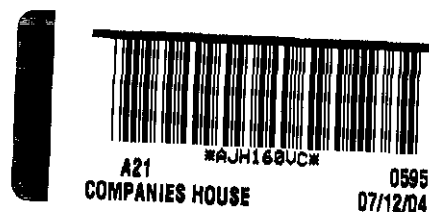
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Abrahams Consolidated Limited

Report and Financial Statements

31 March 2004

 ERNST & YOUNG



Abrahams Consolidated Limited

Registered No: 258846

Directors

P D Abrahams (Chairman)
K Z Khan

Secretary

K Z Khan

Auditors

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Bankers

National Westminster Bank Plc
19 Shaftesbury Avenue
London
W1A 4QQ

Solicitors

KSB Law
Elan House
5-11 Fetter Lane
London
EC4A 1QD

Registered Office

51 London Road
St Albans
Hertfordshire
AL1 1LJ

Directors' report

The directors present their report and the group financial statements for the year ended 31 March 2004.

Results and dividends

The group profit for the year, after taxation, amounted to £380,715. (2003: £277,937). The directors have paid preference dividends of £14,229 and an interim ordinary dividend of 5p per share was paid on 16 April 2004. The directors propose a final ordinary dividend of 1.5p per share for the year. The retained profit for the year of £340,476 has been added to the retained profits brought forward.

Principal activity and review of the business

The group's principal activity during the year continued to be property investment and development.

The company has maintained the policy of keeping its property portfolio under regular review. It was the board's hope to add to the successful purchase of a new investment property in the early part of the year. Several propositions were considered and offers were submitted in some instances, but nothing materialised. Following the year-end, in the case of investment property disposals, a sale was made increasing the funds available for acquisitions. The property in question was considered to have limited future growth potential following the achievement of a significantly higher annual rent on lease renewal.

In the development subsidiary, a number of development opportunities were considered during the year but there was no success in finding anything suitable, and the search continues.

Fixed assets

Movements in fixed assets are shown in note 11 to the financial statements.

Freehold and leasehold investment properties have been included in the balance sheet at open market values, following standard accounting practice for property investment companies.

Directors and their interests

The directors who served during the year were those listed on page 2.

In accordance with the Articles of Association, K Z Khan retires from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The directors at 31 March 2004 and their interest in the share capital of the company were as follows:

| | At 31 March 2004 | | At 1 April 2003 | |
|--------------|------------------|----------|-----------------|----------|
| | Preference | Ordinary | Preference | Ordinary |
| P D Abrahams | | 184,275 | | 184,275 |
| K Z Khan | | — | | — |

Directors' report

Statement of directors' responsibilities in respect of the financial statements

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 group and of the profit or loss of the group for that period. 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.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the forthcoming Annual General Meeting.

By order of the board



K Z Khan
Secretary

15 July 2004

Independent auditors' report

to the members of Abrahams Consolidated Limited

We have audited the group's financial statements for the year ended 31 March 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 22. These financial statements have been prepared on the basis of 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 auditors' 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 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 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 group 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.

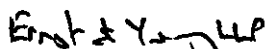
Basis of audit opinion

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 group'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 affairs of the company and the group as at 31 March 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Luton

16 July 2004

Consolidated profit and loss account

for the year ended 31 March 2004

| | Notes | 2004 £ | 2003 £ |
|---|-------|-----------|-----------|
| Turnover | 2,3 | 941,128 | 1,016,099 |
| Operating costs | 4 | (354,888) | (530,417) |
| Operating profit | 5 | 586,240 | 485,682 |
| Loss on disposal of fixed asset investments | | – | (39,341) |
| Profit on ordinary activities before interest | | 586,240 | 446,341 |
| Net interest payable | 7 | (40,275) | (33,989) |
| Profit on ordinary activities before taxation | 3 | 545,965 | 412,352 |
| Tax on profit on ordinary activities | 8 | 165,250 | 134,415 |
| Profit on ordinary activities after taxation | | 380,715 | 277,937 |
| Dividends - relating to equity and non-equity shares | 10 | 40,239 | 40,239 |
| Profit retained for the financial year | 21 | 340,476 | 237,698 |

All turnover and profit was derived from continuing activities.

Statement of consolidated total recognised gains and losses
for the year ended 31 March 2004

| | 2004 £ | 2003 £ |
|--|------------------|------------------|
| Profit attributable to shareholders of the group | 380,715 | 277,937 |
| Unrealised surplus on revaluation of freehold land and buildings | 1,781,978 | 983,475 |
| Total recognised gains relating to the year | 2,162,693 | 1,261,412 |


Note of historical cost profits and losses
for the year ended 31 March 2004

| | 2004 £ | 2003 £ |
|---|----------------|----------------|
| Reported profit on ordinary activities before taxation | 545,965 | 412,352 |
| Additional loss on sale of investment properties at historical cost | — | (41,379) |
| | 545,965 | 370,973 |
| Historical cost profit for the year retained after taxation and dividends | 340,476 | 196,319 |

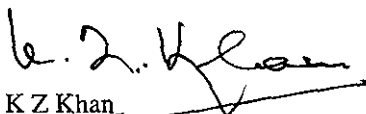
Consolidated balance sheet

at 31 March 2004

| | Notes | 2004 £ | 2003 £ |
|--|--------|-------------------|-------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 16,814,316 | 13,337,889 |
| Investments | 12 | 275,320 | 261,670 |
| | | <u>17,089,636</u> | <u>13,599,559</u> |
| Current assets | | | |
| Debtors | 14 | 6,266 | 5,021 |
| Cash at bank and in hand | | 1,915,070 | 3,386,431 |
| | | <u>1,921,336</u> | <u>3,391,452</u> |
| Creditors: amounts falling due within one year | | | |
| Trade and other creditors | 15 | 255,043 | 237,808 |
| Taxation | 16 | 153,100 | 122,265 |
| Loans - secured | 17 | 150,563 | 150,563 |
| Proposed dividends | | 26,010 | 26,010 |
| | | <u>584,716</u> | <u>536,646</u> |
| Net current assets | | <u>1,336,620</u> | <u>2,854,806</u> |
| Total assets less current liabilities | | <u>18,426,256</u> | <u>16,454,365</u> |
| Creditors: amounts falling due after more than one year | | | |
| Loans - secured | 17 | 1,232,964 | 1,383,527 |
| | | <u>17,193,292</u> | <u>15,070,838</u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 637,310 | 637,310 |
| Revaluation reserve | 20, 21 | 6,109,019 | 4,327,041 |
| Profit and loss account | 21 | 10,446,963 | 10,106,487 |
| Shareholders' funds: | | | |
| equity interests | | 16,956,142 | 14,833,688 |
| non equity interests | | 237,150 | 237,150 |
| | | <u>17,193,292</u> | <u>15,070,838</u> |


P D Abrahams
Director

15 July 2004


K Z Khan
Director

15 July 2004

Balance sheet

at 31 March 2004

| | Notes | 2004 £ | 2003 £ |
|--|--------|-------------------|-------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 16,814,316 | 13,337,889 |
| Investments | 12 | 775,317 | 761,667 |
| | | <u>17,589,633</u> | <u>14,099,556</u> |
| Current assets | | | |
| Debtors | 14 | 5,254 | 4,526 |
| Cash at bank and in hand | | 1,127,319 | 2,593,022 |
| | | <u>1,132,573</u> | <u>2,597,548</u> |
| Creditors: amounts falling due within one year | | | |
| Trade and other creditors | 15 | 252,293 | 234,681 |
| Taxation | 16 | 153,100 | 121,273 |
| Loans - secured | 17 | 150,563 | 150,563 |
| Proposed dividends | | 26,010 | 26,010 |
| | | <u>581,966</u> | <u>532,527</u> |
| Net current assets | | <u>550,607</u> | <u>2,065,021</u> |
| Total assets less current liabilities | | <u>18,140,240</u> | <u>16,164,577</u> |
| Creditors: amounts falling due after more than one year | | | |
| Loans - secured | 17 | 1,232,964 | 1,383,527 |
| | | <u>16,907,276</u> | <u>14,781,050</u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 637,310 | 637,310 |
| Revaluation reserve | 20, 21 | 6,109,019 | 4,327,041 |
| Profit and loss account | 21 | 10,160,947 | 9,816,699 |
| Shareholders' funds: | | | |
| equity interests | | 16,670,126 | 14,543,900 |
| non equity interests | | 237,150 | 237,150 |
| | | <u>16,907,276</u> | <u>14,781,050</u> |

P D Abrahams
Director

15 July 2004

K Z Khan
Director

15 July 2004

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, modified by the revaluation of investment properties, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and of its subsidiary undertaking for the year ended 31 March 2004. In accordance with the exemptions allowed by Section 230 of the Companies Act 1985, the company does not present its own profit and loss account.

Investment properties

Investment properties are valued at their open market values. Revaluation surpluses are taken to revaluation reserve with an adjustment for deferred taxation where appropriate.

Development properties

Properties held for development and sale are valued at the lower of cost, including incidental expenses, and estimated net realisable value.

Depreciation

Freehold and leasehold investment properties are not depreciated.

Other fixed assets are depreciated on a straight line basis at rates estimated to write them off over their expected useful lives as follows:

| | | |
|--|---|------------|
| Freehold buildings used in the business | - | 4% |
| Motor vehicles | - | 20% |
| Office furniture, fixtures and miscellaneous equipment | - | 10% to 20% |

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Property sales and purchases

Property sales and purchases are recognised on completion. In previous years, these were recognised on exchange of contracts. This change of policy has had no effect on the financial statements for 2004 and 2003.

Notes to the financial statements

at 31 March 2004

1. Accounting policies (continued)

Pensions

Defined contributions are made to a company pension scheme. The assets of this scheme are held separately from those of the company. The pension cost charge represents contributions payable by the company to the scheme. There were no amounts prepaid or accrued at the year end.

2. Turnover

Turnover comprises total rents receivable, sales of properties acquired for dealing and development and miscellaneous property income from continuing activities in the United Kingdom.

3. Analysis of turnover and profit between activities

| | <i>Turnover</i> | | <i>Profit on ordinary activities before tax</i> | |
|----------------------------------|-----------------|------------------|---|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Property dealing and development | - | 189,950 | (3,772) | 7,513 |
| Property investment | 941,128 | 826,149 | 549,737 | 404,839 |
| | <u>941,128</u> | <u>1,016,099</u> | <u>545,965</u> | <u>412,352</u> |

4. Operating costs

| | 2004 | 2003 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Staff costs - wages and salaries | 187,309 | 184,541 |
| - social security costs | 21,641 | 19,867 |
| - other pension costs | 7,447 | 7,195 |
| Cost of development property sold | - | 177,856 |
| Other operating costs | 138,491 | 140,958 |
| | <u>354,888</u> | <u>530,417</u> |

The monthly average number of employees (including part-time staff), during the year was as follows:

| | 2004 | 2003 |
|------------|----------|----------|
| | No. | No. |
| Management | 2 | 2 |
| Other | 2 | 2 |
| | <u>4</u> | <u>4</u> |

Notes to the financial statements

at 31 March 2004

5. Operating profit

This is stated after charging:

| | 2004 £ | 2003 £ |
|--|-----------|-----------|
| Depreciation and amortisation of tangible fixed assets | 7,298 | 9,339 |
| Auditors' remuneration | 11,900 | 11,810 |
| and crediting: | | |
| Rents receivable less outgoings | 873,673 | 758,300 |

6. Directors' emoluments

| | 2004 £ | 2003 £ |
|--|-------------|-------------|
| Managerial emoluments (including pension contribution of £5,373) | 166,867 | 167,811 |
| Pension to widow of former director | 1,800 | 1,740 |
| | 168,667 | 169,551 |
| | 2004 No. | 2003 No. |
| Directors who are members of the defined contribution pension scheme | 1 | 1 |

7. Net interest payable

| | 2004 £ | 2003 £ |
|------------------------------------|-----------|-----------|
| Bank and other interest receivable | 66,317 | 93,500 |
| Loan interest payable | (106,592) | (127,489) |
| | (40,275) | (33,989) |

Notes to the financial statements

at 31 March 2004

8. Tax

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

| | 2004 £ | 2003 £ |
|-------------------------------|----------------|----------------|
| UK Corporation tax | 165,250 | 134,415 |
| Less: double taxation relief | (12,150) | (12,150) |
| | <u>153,100</u> | <u>122,265</u> |
| Add: overseas tax | 12,150 | 12,150 |
| Total current tax (note 8(b)) | <u>165,250</u> | <u>134,415</u> |

b) Factors affecting the tax charge for the year

| | 2004 £ | 2003 £ |
|---|----------------|----------------|
| Profit on ordinary activities before tax | 545,965 | 412,352 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% | 163,790 | 123,706 |
| Loss on property sales not taxable | – | 11,803 |
| Expenses not deductible for tax purposes | 1,050 | 1,050 |
| Capital allowances in advance of depreciation | 410 | 510 |
| Differences in tax rates | – | (827) |
| Marginal relief | – | (1,827) |
| Total current tax (note 8(a)) | <u>165,250</u> | <u>134,415</u> |

c) Factors that may affect future tax charges

The company has capital losses of £389,000 which are available to offset against chargeable gains which may arise on future investment property disposals. No deferred tax asset has been provided in respect of these capital losses (note 18).

9. Profit for the financial year

Profit for the year dealt with in the financial statements of the company, was £549,737 (2003: £271,416)

Notes to the financial statements

at 31 March 2004

10. Dividends

| | 2004 £ | 2003 £ |
|---|---------------|---------------|
| Equity dividends on ordinary shares | | |
| - interim (5p per share) | 20,008 | 20,008 |
| - final proposed (1.5p per share) | 6,002 | 6,002 |
| Non-equity dividends on preference shares | 14,229 | 14,229 |
| | <u>40,239</u> | <u>40,239</u> |

11. Tangible fixed assets

| <i>Group and company</i> | <i>Land and buildings</i> | | <i>Office equipment and motor vehicles</i> | <i>Total</i> |
|--------------------------|---------------------------|---------------------------------------|--|-------------------|
| | <i>Freehold</i> | <i>Long leasehold (over 50 years)</i> | | |
| | £ | £ | £ | £ |
| Cost or valuation: | | | | |
| At 31 March 2003 | 12,672,553 | 700,000 | 37,978 | 13,410,531 |
| Additions | 1,701,747 | — | — | 1,701,747 |
| Surplus on revaluation | 1,706,978 | 75,000 | — | 1,781,978 |
| At 31 March 2004 | <u>16,081,278</u> | <u>775,000</u> | <u>37,978</u> | <u>16,894,256</u> |
| Investment - valuation | 15,935,350 | | | |
| Other - at cost | <u>145,928</u> | | | |
| Depreciation: | | | | |
| At 31 March 2003 | 45,500 | — | 27,142 | 72,642 |
| Provided during the year | 3,500 | — | 3,798 | 7,298 |
| At 31 March 2004 | <u>49,000</u> | <u>—</u> | <u>30,940</u> | <u>79,940</u> |
| Net book value: | | | | |
| At 31 March 2004 | <u>16,032,278</u> | <u>775,000</u> | <u>7,038</u> | <u>16,814,316</u> |
| At 31 March 2003 | <u>12,627,053</u> | <u>700,000</u> | <u>10,836</u> | <u>13,337,889</u> |
| Cost at 31 March 2004 | <u>10,603,038</u> | <u>144,221</u> | <u>37,978</u> | <u>10,785,237</u> |
| Cost at 31 March 2003 | <u>8,901,291</u> | <u>144,221</u> | <u>37,978</u> | <u>9,083,448</u> |

Investment properties were valued by Colliers CRE Limited, Chartered Surveyors, on the basis of open market value at 31 March 2004.

Notes to the financial statements

at 31 March 2004

12. Investments

| | 2004 | Group 2003 | 2004 | Company 2003 |
|----------------------------------|----------------|----------------|----------------|-----------------|
| | £ | £ | £ | £ |
| Endowment assurance policies | 275,320 | 261,670 | 275,320 | 261,670 |
| Subsidiary undertaking (note 13) | – | – | 499,997 | 499,997 |
| | <u>275,320</u> | <u>261,670</u> | <u>775,317</u> | <u>761,667</u> |
| Endowment assurance policies | | | | |
| Balance at 1 April 2003 | | | | 261,670 |
| Invested in year | | | | 13,650 |
| Balance at 31 March 2004 | | | | <u>275,320</u> |

The policies are stated at the total of net premiums paid to date. The surrender value at 31 March 2004 was £320,648 (2003: £298,202).

13. Subsidiary undertaking

| Company | 2004 | 2003 |
|----------------|----------------|----------------|
| | £ | £ |
| Shares at cost | <u>499,997</u> | <u>499,997</u> |

The subsidiary undertaking was:

| Name of company | Holding | Percentage of issued share capital held by Abrahams Consolidated Limited | Country of registration | Nature of business |
|-----------------------------------|----------|---|----------------------------|-------------------------------------|
| Developments Consolidated Limited | Ordinary | 100% | England and Wales | Property dealing and development |

Notes to the financial statements

at 31 March 2004

14. Debtors

| | 2004 | Group 2003 | 2004 | Company 2003 |
|---------------|--------------|---------------|--------------|-----------------|
| | £ | £ | £ | £ |
| Other debtors | 2,336 | 1,794 | 1,324 | 1,299 |
| Prepayments | 3,930 | 3,227 | 3,930 | 3,227 |
| | <u>6,266</u> | <u>5,021</u> | <u>5,254</u> | <u>4,526</u> |

15. Trade and other creditors

| | 2004 | Group 2003 | 2004 | Company 2003 |
|-----------------|----------------|----------------|----------------|-----------------|
| | £ | £ | £ | £ |
| Trade creditors | 185,081 | 183,807 | 185,081 | 183,807 |
| Other creditors | 19,852 | 10,413 | 19,852 | 10,413 |
| Accruals | 50,110 | 43,588 | 47,360 | 40,461 |
| | <u>255,043</u> | <u>237,808</u> | <u>252,293</u> | <u>234,681</u> |

16. Taxation

| | 2004 | Group 2003 | 2004 | Company 2003 |
|--------------------|---------|---------------|---------|-----------------|
| | £ | £ | £ | £ |
| UK corporation tax | 153,100 | 122,265 | 153,100 | 121,273 |

Notes to the financial statements

at 31 March 2004

17. Loans

Group and company

| | 2004 £ | 2003 £ |
|---|------------------|------------------|
| Amounts repayable: | | |
| In one year or less, or on demand | 150,563 | 150,563 |
| In more than one year but not more than two years | 150,563 | 150,563 |
| In more than two years but not more than five years | 682,402 | 766,299 |
| In more than five years | 400,000 | 466,665 |
| | <u>1,232,964</u> | <u>1,383,527</u> |
| | <u>1,383,527</u> | <u>1,534,090</u> |

Loans comprise:

| | Interest | 2004 £ | 2003 £ |
|--|------------------------------|------------------|------------------|
| <i>Instalment loans:</i> | | | |
| Repayable at £83,896 p.a. up to 2006, the balance then being subject to re-negotiation with the lender | 9.5% fixed to 2006 | 650,194 | 734,090 |
| Repayable at £66,667 p.a. up to 2010, the balance being subject to re-negotiation with the lender | 1.75% plus base rate to 2010 | 733,333 | 800,000 |
| Total of instalment loans and secured borrowing | | <u>1,383,527</u> | <u>1,534,090</u> |

The loans and bank facility are secured upon various freehold and leasehold properties.

The company has a contract with its bankers in respect of possible future borrowings of £500,000 to mitigate the effect of possible future base rate increases.

18. Provisions for liabilities and charges

Deferred taxation

If all the properties were sold at their balance sheet values capital gains of approximately £2,947,000 (2003: £1,800,000) would arise with a potential tax effect thereon of £884,000 (2003: £539,000). This includes a net gain of approximately £129,000 after relief for available losses (tax effect £39,000), in respect of a property that was sold post year-end. No provision for deferred tax is considered necessary as capital losses are available for offset against the gain on the property sold post year-end.

There are no other material fixed asset timing differences.

Notes to the financial statements

at 31 March 2004

19. Share capital

| | <i>Authorised</i> | | <i>Allotted, called up and fully paid</i> | |
|--|-------------------|------------------|---|----------------|
| | <i>2004</i> | <i>2003</i> | <i>2004</i> | <i>2003</i> |
| | <i>£</i> | <i>£</i> | <i>£</i> | <i>£</i> |
| Equity: | | | | |
| Ordinary shares of £1 each | 1,000,000 | 1,000,000 | 400,160 | 400,160 |
| Non-equity: | | | | |
| 6% cumulative preference shares of £1 each | 260,000 | 260,000 | 237,150 | 237,150 |
| | <u>1,260,000</u> | <u>1,260,000</u> | <u>637,310</u> | <u>637,310</u> |

The preference shares confer a right to a cumulative preferential dividend at the rate of 6% per annum. They also carry the right to repayment of such paid up amounts and arrears of dividends upon winding up prior to any payments to ordinary shareholders. They carry no right to vote at general meetings unless the dividend is in arrears.

The non-equity shareholders have no interest in the reserves of the company or the group.

20. Revaluation reserve

The revaluation reserve arises from the revaluation of investment properties to their open market value. In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve; no depreciation or amortisation is provided in respect of freehold or long leasehold investment properties. The directors consider that this accounting policy results in the financial statements giving a true and fair view. This accounting policy represents a departure from paragraph 18, Schedule 4, Companies Act 1985 which requires the provision of depreciation on any fixed asset with a limited useful economic life. In making this departure, the directors are of the opinion that the financial statements reflect more accurately the state of affairs and they do not believe that it is practicable to quantify the effects of the departure.

Notes to the financial statements

at 31 March 2004

21. Reconciliation of shareholders' funds and movement on reserves

Group

| | Share capital £ | Revaluation reserve £ | Profit and loss account £ | Total shareholders' funds £ |
|--|-----------------------|-----------------------------|---------------------------------|--------------------------------------|
| At 1 April 2002 | 637,310 | 3,302,187 | 9,910,168 | 13,849,665 |
| Surplus on revaluation of investment properties | – | 983,475 | – | 983,475 |
| Transfer of revaluation deficit realised on disposal of investment properties | – | 41,379 | (41,379) | – |
| Profit for the year | – | – | 237,698 | 237,698 |
| At 31 March 2003 | 637,310 | 4,327,041 | 10,106,487 | 15,070,838 |
| Surplus on revaluation of investment properties | – | 1,781,978 | – | 1,781,978 |
| Profit for the year | – | – | 340,476 | 340,476 |
| At 31 March 2004 | 637,310 | 6,109,019 | 10,446,963 | 17,193,292 |

Company

| | Share capital £ | Revaluation reserve £ | Profit and loss account £ | Total £ |
|--|-----------------------|-----------------------------|---------------------------------|------------|
| At 1 April 2002 | 637,310 | 3,302,187 | 9,626,901 | 13,566,398 |
| Surplus on revaluation of investment properties | – | 983,475 | – | 983,475 |
| Transfer of revaluation deficit realised on disposal of investment properties | – | 41,379 | (41,379) | – |
| Profit for the year | – | – | 231,177 | 231,177 |
| At 31 March 2003 | 637,310 | 4,327,041 | 9,816,699 | 14,781,050 |
| Surplus on revaluation of investment properties | – | 1,781,978 | – | 1,781,978 |
| Profit for the year | – | – | 344,248 | 344,248 |
| At 31 March 2004 | 637,310 | 6,109,019 | 10,160,947 | 16,907,276 |

Notes to the financial statements

at 31 March 2004

22. Ultimate controlling party

The group is controlled by Mr P D Abrahams.