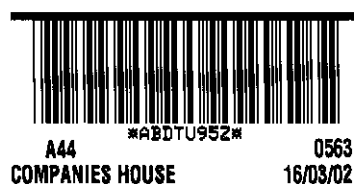


ORB ESTATES PLC

**Annual Report for the
year ended 30 June 2001**



ORB ESTATES PLC

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ORB ESTATES PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Samuel Nolan	(Executive Chairman)
Charles Helvert	(Executive)
Steven Johnstone	(Executive)
Roger Taylor	(Executive)

Cedric Brown	(Non-executive)
Peter Catto	(Non-executive)
Dennis Cottrell	(Non-executive)
Mitchell Higgins	(Non-executive)

SECRETARY

Walgate Services Limited
25 North Row
London W1R 1DJ

PRINCIPAL BANKERS

Royal Bank of Scotland International Limited
71 Bath Street
St. Helier
Jersey JE4 8PJ

AUDITORS

Arthur Andersen
180 Strand
London WC2R 1BL

SOLICITORS

Fladgate Fielder
25 North Row
London W1R 1DJ

REGISTERED OFFICE

Albemarle House
1 Albemarle Street
London W1S 4HA

ORB ESTATES PLC

CHAIRMAN'S STATEMENT

In this my second year as Chairman of the Orb Estates Plc ('Orb') group, it has been a year of consolidation of our interests acquired in the 2000 financial year, and the integration of new exciting investment opportunities.

During the year, the significant Orb transactions were the acquisition of the Seafeld warehousing portfolio, the continued development and planning for our Poole Quay investments, and the redemption of the Albemarle group's Listed Debenture Stock.

Our business objective has continued to be maximising the growth of the company's net assets through strategic acquisition, management and disposal of real estate. The net assets of the Orb Estates Plc group have increased from £41.7 million in 2000 to £51.8 million in 2001, representing capital growth of 24%, during a period of much uncertainty in the financial markets.

In a period where UK interest rates have fallen to levels not seen since the 1960s, I believe that property investment will continue to be a safe haven for the general investor, and during a long period of low interest rates, property yields and values should strengthen. In this next financial year, we aim to broaden our property holding interests, and to take advantage of this current economic climate.

Finally, I take this opportunity to thank the Orb team for their concerted efforts during the year and to welcome aboard Steven Johnstone as a full Board director.

Samuel Nolan

11 February 2002

ORB ESTATES PLC

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Group is investment, development and dealing in commercial and residential property, and the holding of business operations that support the property interests.

RESULTS FOR THE YEAR

The results for the year ended 30 June 2001 shows a turnover of £24.5 million (2000: £16.2 million), a loss before tax of £6.1 million (2000: £6.6 million), and an increase in equity shareholders' funds from £40.8 million to £51.7 million. A review of business is incorporated into the Chairman's statement on page 2.

DIVIDENDS

The directors do not recommend the payment of a dividend (2000: £nil).

DIRECTORS

Details of the current membership of the Board are stated on page 1.

Changes to the Board during the year and to the date of signing these accounts were as follows:

Cedric Brown	(appointed 31 October 2000)
Dennis Cottrell	(appointed 31 October 2000)
Jacque Delacave	(resigned 31 October 2000)
Steven Johnstone	(appointed 1 August 2001)
Samuel Nolan	(appointed 29 September 2000)
Roger Taylor	(appointed 31 October 2000)

Mitchell Higgins held 211,368 shares of Orb Estates Plc at 30 June 2000 and 30 June 2001. No other director had any beneficial interests in the shares of the Company or the Group undertaking requiring disclosure under Schedule 7 of the Companies Act 1985, either at the beginning or the end of the current year.

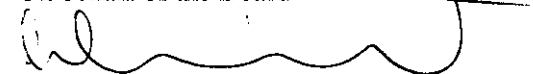
PAYMENT POLICY

In the absence of dispute, amounts due to trade and other suppliers are settled as soon as possible within the terms of payment. Trade creditors at 30 June 2001 represented 146 days (2000: 101 days) of annual purchases.

AUDITORS

Deloitte & Touche resigned as auditors in the year and Arthur Andersen were appointed. The reappointment of Arthur Andersen will be proposed at the next Annual General Meeting.

On behalf of the Board



Charles Helvert

Director

11 February 2002

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 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 the Group, 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORB ESTATES PLC.

We have audited the financial statements of Orb Estates Plc for the year ended 30 June 2001 which comprise the profit and loss account, balance sheets, cash flow statement, statement of total recognised gains and losses, note of historical cost profits and losses and the related notes set out on pages 11 to 34. These financial statements have been prepared under the accounting policies set out herein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Directors' Report and Statement of directors' responsibilities. We 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. 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 judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORB ESTATES PLC.
(CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2001 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
180 Strand
London WC2R 1BL

11 February 2002

ORB ESTATES PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2001

	Notes	2001 £'000	2000 £'000
TURNOVER	1	24,471	16,155
Cost of sales		(14,079)	(7,252)
GROSS PROFIT		10,392	8,903
Administrative expenses		(5,153)	(6,960)
Release of convertible loan note financial liability	17	2,387	-
OPERATING PROFIT	2	7,626	1,943
(Loss)/profit on sale of investment properties	6	(1,481)	1,382
(Loss)/profit on sale of investments	6	(1,256)	237
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		4,889	3,562
Investment income		2	165
Net interest payable and similar charges	5	(11,009)	(10,372)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,118)	(6,645)
Taxation credit on loss on ordinary activities	6	11	17
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(6,107)	(6,628)
Equity minority interests	21	675	(118)
Non-equity minority interests	21	6	-
LOSS FOR THE FINANCIAL YEAR	20	(5,426)	(6,746)

All activities are derived from continuing operations.

ORB ESTATES PLC


BALANCE SHEETS

At 30 June 2001

	Notes	Group		Company	
		2001	2000	2001	2000
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets - Goodwill	7	1,898	1,962	-	-
Fixed asset properties	8	157,815	139,680	27,850	20,135
Other tangible assets	9	7,273	1,099	641	546
Investments	10	100	1,500	8,575	12,273
		<u>167,086</u>	<u>144,241</u>	<u>37,066</u>	<u>32,954</u>
CURRENT ASSETS					
Stocks	11	1,096	1,374	-	-
Development properties held for resale	12	15,416	22,421	8,085	8,085
Debtors	13	33,531	5,107	1,164	18,856
Secured cash and cash deposits	14	1,678	3,102	1,314	-
Cash at bank and in hand		866	1,113	506	-
		<u>52,587</u>	<u>33,117</u>	<u>11,069</u>	<u>26,941</u>
CREDITORS: amounts falling due within one year					
Limited recourse loans	15	(40)	(44)	(40)	(44)
Other creditors	15	(23,429)	(33,673)	(6,105)	(24,111)
		<u>(23,469)</u>	<u>(33,717)</u>	<u>(6,145)</u>	<u>(24,155)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>29,118</u>	<u>(600)</u>	<u>4,924</u>	<u>2,786</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>196,204</u>	<u>143,641</u>	<u>41,990</u>	<u>35,740</u>
CREDITORS: amounts falling due after more than one year					
	16	(144,362)	(101,969)	-	(2,587)
NET ASSETS		<u>51,842</u>	<u>41,672</u>	<u>41,990</u>	<u>33,153</u>
CAPITAL AND RESERVES					
Called up share capital	18	19,801	19,801	19,801	19,801
Share premium account	19	1,388	1,388	1,388	1,388
Revaluation reserve	20	33,049	24,291	15,125	5,400
Limited recourse reserve	20	2,485	2,308	2,485	2,544
Profit and loss account	20	(5,066)	(6,982)	3,191	4,020
Equity shareholders' funds		<u>51,657</u>	<u>40,806</u>	<u>41,990</u>	<u>33,153</u>
Minority interests (non-equity)	21	191	866	-	-
Minority interests (equity)	21	(6)	-	-	-
		<u>51,842</u>	<u>41,672</u>	<u>41,990</u>	<u>33,153</u>

These financial statements were approved by the Board of Directors on 11 February 2002 and were signed on its behalf by:


Charles Helvert, Director


Steven Johnstone, Finance Director

OTHER PRIMARY STATEMENTS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 30 June 2001

	Note	2001 £'000	2000 £'000
Loss for the financial year	20	(5,426)	(6,746)
Unrealised surplus on revaluation of investment properties	20	16,277	23,978
Currency translation differences on foreign currency net investments		-	(29)
Decrease in limited recourse loan shortfall		-	(178)
Total recognised gains and losses since last annual report		<u>10,851</u>	<u>17,025</u>

MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

Year ended 30 June 2001

	2001 £'000	2000 £'000
Opening equity shareholders' funds	40,806	5,905
Total recognised gains and losses for the year	10,851	17,025
Issue of new shares	-	16,488
Share premium on issue of shares	-	1,388
Closing equity shareholders' funds	<u>51,657</u>	<u>40,806</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 30 June 2001

	2001 £'000	2000 £'000
Loss on ordinary activities before taxation	(6,118)	(6,645)
Release of property valuation gains of prior years	7,519	-
Historical cost profit/(loss) on ordinary activities before taxation	<u>1,401</u>	<u>(6,645)</u>
Historical cost profit/(loss) for the year after taxation and minority interests	<u>2,093</u>	<u>(6,746)</u>

ORB ESTATES PLC

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2001

	Note	2001 £'000	2000 £'000
Net inflow/(outflow) from operating activities	23	<u>31,290</u>	<u>(2,011)</u>
Returns on investments and servicing of finance			
Interest received		235	112
Interest and similar charges paid		(12,693)	(5,204)
Interest element of hire purchase and finance lease rentals		(31)	-
Other investment income received		<u>2</u>	<u>15</u>
Net cash outflow from returns on investments and servicing of finance		<u>(12,487)</u>	<u>(5,077)</u>
Taxation			
UK tax paid		(29)	(17)
Overseas tax refunded/(paid)		<u>11</u>	<u>(46)</u>
		<u>(18)</u>	<u>(63)</u>
Capital expenditure and financial investment			
Purchase and capital expenditure on fixed asset properties		(54,079)	-
Purchase of other tangible fixed assets		(3,754)	(6,889)
Purchase of fixed asset investments		(1,265)	(2,011)
Receipts on disposal of fixed asset investments		2,215	887
Receipts on disposal of investment properties		7,868	51,026
Receipts on disposal of other fixed assets		<u>38</u>	<u>17</u>
Net cash (outflow)/inflow from capital expenditure and financial investment		<u>(48,977)</u>	<u>43,030</u>
Acquisitions and disposals			
Disposal of subsidiary undertakings including associated costs	27	(590)	-
Purchase of subsidiary undertakings		-	(66,418)
Net cash acquired with subsidiary undertakings		<u>-</u>	<u>3,357</u>
		<u>(590)</u>	<u>(63,061)</u>
Net cash outflow before use of liquid resources and financing		<u>(30,782)</u>	<u>(27,182)</u>
Management of liquid resources			
Cash withdrawn/placed in secured bank accounts	25	1,424	(3,102)
Decrease/(increase) in cash deposits		<u>-</u>	<u>3,000</u>
		<u>1,424</u>	<u>(102)</u>
Financing			
Cash receipts in respect of convertible loan facility		-	5,076
Debt due within one year:			
Repayment of limited recourse loan		(4)	(337)
Net (repayment)/drawdown of bank loans		(12,770)	18,069
Debt due after more than one year:			
Net drawdown of bank loans		81,921	6,051
Redemption of First Mortgage Debenture Stock		(39,448)	-
Repayment of loan notes		(200)	-
Repayment of unsecured loan note issued on acquisition of subsidiary undertaking		-	(655)
Capital element of finance lease obligations		<u>(388)</u>	<u>-</u>
		<u>29,111</u>	<u>28,204</u>
(Decrease)/increase in cash in the year	25	<u>(247)</u>	<u>920</u>

ACCOUNTING POLICIES

Year ended 30 June 2001

The financial statements have been prepared under the historical cost convention modified by the revaluation of properties and in accordance with applicable accounting standards in the UK. The significant accounting policies adopted by the Group, which have been applied consistently, are as set out below.

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiary undertakings. The results of acquisitions and disposals of subsidiary undertakings during the year are consolidated from or up to the date effective control passes. Investments in limited partnerships in the USA are consolidated such that the Group's share of pre-tax profits and losses and attributable taxation included in the Group profit and loss account and the Group balance sheet reflects the Group's share of the underlying net assets. As permitted by Section 230 of the Companies Act 1985, the profit and loss account for the Company has not been presented in the financial statements.

Going concern

The financial statements have been prepared on the going concern basis which assumes the Group will continue in operational existence for the foreseeable future. As at the date of approval of these accounts, the directors are of the opinion that the Group is in compliance with its borrowing covenants, and based on the Group's cash flow projections and support of its ultimate parent undertaking, the directors have formed the opinion that the Group is a going concern.

Goodwill

When a subsidiary undertaking or associate is acquired, fair values are attributed to its identifiable assets and liabilities. Goodwill represents the difference between the fair value of the consideration paid and the fair value of its identifiable assets and liabilities.

In accordance with FRS 10, Goodwill and intangible assets, goodwill arising on acquisitions completed on or after 30 June 1998 is capitalised and amortised to the profit and loss account over its useful economic life. Goodwill arising on acquisitions completed prior to 30 June 1998 was taken to the profit and loss account reserve as incurred. The cumulative amount of any goodwill remains written off to reserves.

Freehold group properties

Properties currently occupied by subsidiary undertakings or properties used in the nature of trade but held by Orb Estates Plc for their long term investment potential are accounted for as freehold group properties. These properties are revalued annually by independent professional valuers. These properties are valued on an existing use basis, and as permitted by FRS 15, Tangible Fixed Assets, the notional selling costs are added back to the existing use value to arrive at valuation for accounting purposes. The aggregate surplus or deficit is transferred to revaluation reserve except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. These properties are depreciated annually, except when depreciation is determined to be immaterial.

ACCOUNTING POLICIES

Year ended 30 June 2001

Investment properties

Investment properties are revalued annually by independent professional valuers. The aggregate surplus or deficit is transferred to the revaluation reserve except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property or the reversal of such a deficit is charged (or credited) to the profit and loss account. No depreciation is provided in respect of investment properties. The requirement in the Companies Act 1985 that all properties should be depreciated conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice No. 19. In the opinion of the Directors, to depreciate investment properties would not give a true and fair view and accordingly investment properties are included in the financial statements at open market value. The effect of depreciation on value is already reflected annually in the valuation of properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified. Where an interim valuation of properties is performed by external valuers, the year-end valuation of the properties may be performed by a professionally qualified employee of the Orb Estates Plc group.

Other tangible fixed assets

The cost of other fixed assets is their purchase cost together with any incidental costs of acquisition. They are depreciated at rates ranging from 15% to 33% per annum, calculated to write off, on the straight line basis, the cost to their residual value over their estimated useful lives. Leasehold improvements are being depreciated over the remaining period of the lease.

Chattels are depreciated over their expected useful lives. In the event that depreciation is immaterial, because the estimated residual value of the chattels is not materially different from its carrying amount and there is no impairment, as determined by an impairment review, no depreciation is charged to the profit and loss account.

Investments

Investments in subsidiary undertakings in the parent company balance sheet are stated at cost less provisions to reduce the carrying value to book value of underlying net assets, where that is less than cost and there has been an impairment in value. Investment in limited partnerships are stated at cost less provisions to reduce the carrying value to the Group's share of net assets at current valuation.

Other investments are stated at cost less provision for impairment.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

ACCOUNTING POLICIES

Year ended 30 June 2001

Development properties

Development properties held for the long term are valued at open market value and are classified as fixed asset properties. Surpluses and deficits attributable to the Company and Group arising from revaluation are taken to the revaluation reserve.

Development properties held for resale are shown as current assets and are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, professional fees, construction costs and capitalised interest, but excludes overheads. Sales of development properties are recognised on exchange of contracts or, if exchange is conditional, on the date all material conditions have been satisfied. During the construction period, profits are not recognised but provision is made for any foreseeable losses.

In the event that it is decided a development property held for resale will be retained as an investment, it is transferred to the Group's investment portfolio at the lower of cost and net realisable value at the date of transfer, and any loss dealt with in the profit and loss account.

Limited recourse loans

The Group undertook a financial reconstruction in December 1993 which involved an agreement with various banks (the "Master Banking Agreement" or "MBA") to limit the recourse of those banks to the realisation proceeds and rental receipts from the assets over which those banks have security. The excess, if any, of the loan amounts due under the open market value of the relevant security is referred to as the Shortfall. The amounts due under the MBA are stated within creditors at an amount which is equal to the open market value of the relevant security. The unrealised Shortfalls relating to these loans have been credited to the Limited Recourse Reserve. When all the security held by an individual bank has been disposed of, any Shortfall becomes crystallised. Crystallised Shortfalls are credited to profit and loss account reserve.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method in respect of the taxation effect of all material timing differences to the extent that it is probable that liabilities will arise in the foreseeable future.

Turnover

Turnover represents the sales of development properties, rental income, pottery manufacturing income and other retail income from the Poole Pottery site excluding value added tax. Sales of properties are reflected in the accounts if an unconditional contract is exchanged by the balance sheet date and the sale is completed before the date of approval of the accounts.

Leases

Assets held under finance lease and hire purchase contracts are capitalised at their fair value on the inception of the leases, and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases.

ACCOUNTING POLICIES

Year ended 30 June 2001

Foreign exchange translation

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Trading results and assets and liabilities of overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Unrealised exchange differences arising on the retranslation of opening net assets are taken directly to reserves. Where investments in overseas subsidiaries are financed by loans in matching currencies both are translated at rates of exchange ruling at the balance sheet date and the net exchange difference is taken directly to reserves.

Loan arrangement costs

Costs relating to the issue of bank loans and facilities are amortised over the estimated life of the loan, and charged to the profit and loss account as part of the interest expense. These bank loans are disclosed net of unamortised loan issue costs.

Financial instruments

Derivative instruments utilised by the Group are interest rate swaps. The Group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

Rental income recognition

Rentals received under operating leases are credited to the profit and loss account on a straight-line basis over the lease term, even if the payments are not received on such a basis. Benefits provided as an incentive for the tenant to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

1. SEGMENTAL INFORMATION

All turnover is derived in the United Kingdom.

An analysis by class of business is as follows:

	Turnover		(Loss)/profit before taxation		Net assets	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Property investment	7,934	5,053	(5,471)	(6,433)	35,422	28,520
Short-term rental income	2,057	2,903	-	(308)	-	724
Property development	7,376	3,742	540	1,013	12,800	320
Pottery manufacturing	2,221	1,527	(1,315)	31	3,405	12,820
Retailing	4,826	2,930	224	(948)	310	(712)
Other	57	-	(96)	-	(95)	-
	<u>24,471</u>	<u>16,155</u>	<u>(6,118)</u>	<u>(6,645)</u>	<u>51,842</u>	<u>41,672</u>

The loss for the year within the accounts of the Company is £1,313,000 (2000: profit £4,266,000).

2. OPERATING PROFIT

	2001 £'000	2000 £000
Operating profit has been stated after charging/(crediting) the following:		
Amortisation of goodwill	107	76
Depreciation - owned	267	44
Depreciation - leased	27	-
(Profit)/loss on disposal of tangible fixed assets	(2)	40
Diminution in value of investment properties	293	-
Auditors' remuneration:		
Existing auditors fees for Group and Company	120	-
Group and Company fees for audit work to former auditors	-	90
Other services to former auditors	145	343
Operating lease rentals: land and buildings	364	318
: other	96	83
Fees paid by Lynch Talbot Limited (see note 31(a)) on acquisition of Gander Properties Plc.	-	2,250

In addition, fees paid to the former auditors of £nil (2000: £37,000) have been capitalised into the costs of acquisition in the year.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

3. STAFF NUMBERS AND COSTS

The weekly average number of personnel including executive directors employed full time by the Group was:

	2001 No.	2000 No.
Full time executive directors	4	2
Administration and managerial staff	42	36
On site property managers	1	1
On site security guards	4	4
Factory staff	58	74
Other offsite staff	49	23
	<u>158</u>	<u>140</u>

The aggregate remuneration of all employees (including executive and non-executive directors) comprised:

	£'000	£'000
Wages and salaries	2,694	1,855
Consultancy fees	372	261
Payments on loss of office	46	50
Social security costs	207	148
Other pension costs	85	77
	<u>3,404</u>	<u>2,391</u>

4. DIRECTORS' REMUNERATION

	2001 £'000	2000 £'000
Aggregate emoluments:		
Salaries and consultancy fees	372	293
Payments on loss of office	-	36
Other benefits	-	10
Pension costs	-	6
	<u>372</u>	<u>345</u>
	2001 £'000	2000 £'000
Highest paid director	<u>120</u>	<u>133</u>

There are no retirement benefits accruing to any directors at the current or preceding year end.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

5. NET INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£'000	£'000
Interest on 10.25% First Mortgage Debenture		
Stock	3,352	3,127
Interest payable on bank and other loans	4,532	4,605
Other interest	93	30
Hire purchase and finance lease interest	31	-
Loan arrangement costs	189	1,954
Loan exit fees	3,047	768
	<hr/>	<hr/>
Interest and similar charges expensed to profit		
and loss account	11,244	10,484
Interest receivable	(235)	(112)
	<hr/>	<hr/>
	11,009	10,372
	<hr/>	<hr/>

Interest and finance charges of £3,516,000 (2000: £394,000) have been capitalised in the year.

6. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2001	2000
	£'000	£'000
Corporation tax – prior year	-	26
US State taxation	11	(9)
	<hr/>	<hr/>
	11	17
	<hr/>	<hr/>

There is no UK corporation tax for the year due to the availability of tax losses within the group.

No tax is attributable to the loss on sale of investment properties and the loss on sale of investments as the Group is loss making for tax purposes.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

7. INTANGIBLE FIXED ASSETS

Group

	Goodwill
	£'000
Cost	
At 1 July 2000	2,038
Additions in year	43
	<hr/>
At 30 June 2001	2,081
	<hr/>
Amortisation	
At 1 July 2000	76
Charge for the year	107
	<hr/>
At 30 June 2001	183
	<hr/>
Net book value	
At 30 June 2001	1,898
	<hr/>
At 30 June 2000	1,962
	<hr/>

The goodwill arising on the acquisition of Poole Pottery Limited is estimated by the directors to have a useful economic life of 20 years, given the profile of the company and its products. The directors regard 20 years as a reasonable maximum for the estimated useful economic life of goodwill since it is difficult to make projections exceeding this period. Goodwill is amortised on a straight line basis over the estimated useful economic life.

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

8. FIXED ASSET PROPERTIES

(a) Group	Freehold group properties £'000	Freehold investment properties £'000	Long leasehold investment properties £'000	Development properties held for long term £'000	Total £'000
Cost or valuation					
At 1 July 2000	47,600	89,710	2,370	-	139,680
Additions	175	48,793	4,434	1,700	55,102
Disposals	(25,600)	(35,465)	(120)	-	(61,185)
Reclassification of fixed asset properties	(21,900)	14,135	2,015	5,750	-
Transfer from development properties held for resale	-	-	8,284	-	8,284
Permanent diminution in value	-	(196)	(97)	-	(293)
Revaluation surplus	3,187	1,526	1,414	10,150	16,277
At 30 June 2001	3,462	118,503	18,300	17,600	157,865
Depreciation					
At 1 July 2000	-	-	-	-	-
Charge for the year	50	-	-	-	50
At 30 June 2001	50	-	-	-	50
Net book value					
At 30 June 2001	3,412	118,503	18,300	17,600	157,815
At 30 June 2000	47,600	89,710	2,370	-	139,680
Historical cost	3,582	100,239	16,013	5,227	125,061

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

8. FIXED ASSET PROPERTIES (CONTINUED)

(b) Company:	Freehold group properties £'000	Freehold investment properties £'000	Development properties held for long term £'000	Total £'000
Cost or valuation				
At 1 July 2000	16,000	4,135	-	20,135
Additions	-	-	1,700	1,700
Reclassification of fixed asset properties	(16,000)	10,250	5,750	-
Disposals	-	(4,135)	-	(4,135)
Revaluation surplus	-	-	10,150	10,150
At 30 June 2001	-	10,250	17,600	27,850
Depreciation				
At 1 July 2000	-	-	-	-
Charge for the year	-	-	-	-
At 30 June 2001	-	-	-	-
Net book value				
At 30 June 2001	-	10,250	17,600	27,850
At 30 June 2000	16,000	4,135	-	20,135
Historical cost	-	4,321	8,404	12,725

Development properties held for long term includes capitalised interest and finance charges of £1,022,000 (2000: £nil) for group and company. Long leasehold investment properties includes capitalised interest and finance charges of £253,000 (2000: £nil).

The Group's freehold group properties, investment properties and development properties held for the long term were valued as at 30 June 2001 by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors acting in the capacity of external valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors.

Investment properties and development properties held for the long term were valued on the basis of open market value and group properties on an existing use value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. As permitted by FRS 15 "Tangible Fixed Assets", the notional costs of disposal for group properties has been added to the existing use valuation to arrive at closing valuation for accounting purposes.

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

9. OTHER TANGIBLE ASSETS

	Fixtures, fittings and equipment £'000	Leasehold improve- ments £'000	Vehicles £'000	Chattels £'000	Total £'000
(a) Group:					
Cost or valuation:					
At 1 July 2000	548	248	18	325	1,139
Additions	1,991	2,029	2,434	-	6,454
Disposals	(36)	-	-	-	(36)
At 30 June 2001	2,503	2,277	2,452	325	7,557
Depreciation:					
At 1 July 2000	37	-	3	-	40
Charge for the year	183	43	18	-	244
At 30 June 2001	220	43	21	-	284
Net book values:					
At 30 June 2001	2,283	2,234	2,431	325	7,273
At 30 June 2000	511	248	15	325	1,099

Leasehold improvements includes capitalised interest of £21,000 (2000: £nil). The net book value of other tangible fixed assets held by the Group under finance lease and hire purchase obligations are £2,674,000 (2000: nil).

	Fixtures, fittings and equipment £'000	Leasehold improve- ments £'000	Vehicles £'000	Chattels £'000	Total £'000
(b) Company:					
Cost or valuation:					
At 1 July 2000	298	248	-	-	546
Additions	86	116	-	-	202
At 30 June 2001	384	364	-	-	748
Depreciation:					
At 1 July 2000	-	-	-	-	-
Charge for the year	82	25	-	-	107
At 30 June 2001	82	25	-	-	107
Net book values:					
At 30 June 2001	302	339	-	-	641
At 30 June 2000	298	248	-	-	546

Chattels comprise Poole Pottery museum assets.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

10. FIXED ASSET INVESTMENTS

	Investments in USA limited partnerships £'000	Listed investments £'000	Other investments £'000	Total £'000
(a) Group				
At cost or valuation:				
At 1 July 2000	-	-	1,500	1,500
Additions	15	1,250	-	1,265
Disposals	-	(1,150)	(1,500)	(2,650)
Provision against investments	(15)	-	-	(15)
At 30 June 2001	-	100	-	100

(i) Investments in USA limited partnerships are as follows:

Name	Address of properties	Country of operation	Nature of property business	Nature of interest
Route 301/CPI Associates	Brandywine Residential Development Land, Prince George's County, Maryland	USA	Development	20% equity
Route 301/CPI Industrial	Brandywine Industrial Development Land, Prince George's County, Maryland	USA	Development	9% equity

The historical cost of the total investment in USA limited partnerships is £1,878,000 (2000: £1,863,000). In the opinion of the directors, there are significant uncertainties relating to the long term partnership strategy for submission of development plans and the associated funding requirements, and for the ability of the Company to realise value therefrom. Consequently, the carrying value of the investment in USA partnerships has been provided against in full as in prior years.

(ii) The market value of listed investments at 30 June 2001 was £74,000.

(iii) The other investments represented an investment in a Jersey registered limited partnership fund. These investments were redeemed at par during the year (see note 31(ii)).

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

10. FIXED ASSET INVESTMENTS (CONTINUED)

	Listed investments £'000	Other investments £'000	Shares in subsidiary under- takings £'000	Provision against investments £'000	Total £'000
(b) Company:					
Cost or valuation:					
At 1 July 2000	-	1,500	15,125	(4,352)	12,273
Additions	1,250	-	-	(167)	1,083
Disposals	(1,150)	(1,500)	(4,226)	2,095	(4,781)
At 30 June 2001	100	-	10,899	(2,424)	8,575

The provision against investments at 30 June 2001 relates to the shares in subsidiary undertakings.

The following companies are the principal wholly owned subsidiary undertakings and are included in the consolidated results for the year ended 30 June 2001 and the consolidated financial position as at 30 June 2001 except as stated. All interests are by way of ordinary shares.

	Area of operation	Country of incorporation	Nature of business
Albemarle Property Investments Limited *	UK	+	Investment
Gander Properties Limited	UK	+	Investment
Nairn Property Development Limited	UK	+	Trading
Orb Property Management Limited (formerly Orb Acquisitions Limited)*	UK	+	Investment
Orb Developments Limited	UK	Channel Islands	Investment /Trading
Wedderburn Developments Limited	UK	+	Trading
Orb Services Limited	UK	+	Trading
Poole Pottery Limited	UK	+	Manufacturing
Chalfont Property Investment Limited *	UK	+	Investment
Discfind Limited	UK	+	Investment
Mitre Property Management Limited	UK	+	Management
Staplebrook Investments Limited	UK	+	Investment
Kensington & Chelsea Property Management Limited *	UK	+	Management
Orb Commercial Limited	UK	+	Investment
Orb Warehousing Limited	UK	+	Investment
Pondset Limited	UK	+	Investment
Pondset 2 Limited	UK	+	Investment
Dolphin Quays Limited	UK	+	Dormant
Poole Harbour Services Limited	UK	+	Trading (73%)

+ Incorporated in Great Britain

* Subsidiary undertaking disposed of on 20 December 2001

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

11. STOCKS

Stocks comprise amounts at Poole Pottery Limited as follows:

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Raw materials and consumables	97	69	-	-
Work in progress	213	122	-	-
Finished goods and goods for resale	786	1,183	-	-
	<u>1,096</u>	<u>1,374</u>	<u>-</u>	<u>-</u>

12. DEVELOPMENT PROPERTIES HELD FOR RESALE- GROUP

Capitalised interest included within development properties amounted to £2,473,000 (2000: £394,000).

13. DEBTORS

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	1,284	3,880	28	77
Amounts due from subsidiary undertakings	-	-	-	18,463
Amounts due from parent group undertakings	30,237	-	-	-
Other debtors	1,177	820	917	290
Prepayments and accrued income	833	407	219	26
	<u>33,531</u>	<u>5,107</u>	<u>1,164</u>	<u>18,856</u>

No debtors are receivable after more than one year.

14. SECURED CASH DEPOSITS

Secured cash deposits are monies not freely available to the Group in accordance with the Group's normal banking arrangements.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

(a) Limited Recourse Loans

The amounts included in creditors and reserves are as follows:

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Creditors: amounts equal to security values	40	44	40	44
Reserves: Shortfall	2,485	2,308	2,485	2,544
Total limited recourse loans	2,525	2,352	2,525	2,588

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
(b) Other creditors				
Mortgages and other bank loans	9,731	22,293	-	1,744
Trade creditors	4,880	2,069	1,329	534
Amounts owed to subsidiary undertakings	-	-	4,209	21,227
Corporation tax	88	40	11	11
Other taxation and social security	2,288	626	-	2
Other creditors	-	745	-	42
Obligations under finance leases and hire purchase obligations	276	-	-	-
Accruals and deferred income	6,166	7,764	556	503
Dividends payable	-	136	-	48
	23,429	33,673	6,105	24,111

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Mortgages and other bank loans	108,377	62,732	-	-
Amounts due to parent group undertakings	33,949	-	-	-
Obligations under finance leases and hire purchase obligations	2,036	-	-	-
£35 million 10.25% First Mortgage Debenture Stock 2012	-	36,650	-	-
Convertible loan notes 2003 of 2p each	-	2,387	-	2,387
4% Loan Notes 2010	-	200	-	200
	144,362	101,969	-	2,587

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

17. BORROWINGS AND OTHER FINANCIAL LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Borrowings – unsecured				
Convertible loan notes 2003 of 2p each	-	2,387	-	2,387
4% loan notes 2010	-	200	-	200
	<u>-</u>	<u>2,587</u>	<u>-</u>	<u>2,587</u>
Borrowings – secured on land and buildings				
Mortgages and other bank loans	118,108	85,025	-	1,744
£35 million 10.25% First Mortgage Debenture Stock 2012	-	36,650	-	-
Obligations under finance leases and hire purchase obligations - secured	<u>2,312</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>120,420</u>	<u>124,262</u>	<u>-</u>	<u>4,331</u>

Mortgages and other bank loans are stated net of unamortised issue expenses totalling £1,478,064 (2000: £2,116,000).

All mortgage and other bank loans are secured on properties held by the Group.

The £200,000 nominal of 4% Loan Notes 2010 and the £35 million 10.25% First Mortgage Debenture Stock 2012 were redeemed in the year.

The convertible loan notes 2003 of 2p each were issued on acquisition of Gander Properties Plc and had a total nominal value of £10.9 million. They were convertible into Orb Estates Plc shares to the extent that the aggregate of the gross proceeds of sale of properties owned by the acquired Gander Group, listed in FPD Savills' report included in the Listing Particulars dated 24 September 1999, and the amount of any unsold properties owned by the Gander Group, as shown by an independent annual valuation, exceeds £130 million. On 17 January 2001, Orb Securities Limited, the immediate parent undertaking, agreed to waive for nil consideration any entitlement in respect of its 396,454,675 Convertible Loan Notes 2003 held at this date. The residue of the loan notes remains outstanding. As the properties owned by the Gander Group have now been sold or are being negotiated for sale for less than £130 million, the directors believe that the outstanding loan notes have no value and have written back the financial liability to the profit and loss account.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

17. BORROWINGS AND OTHER FINANCIAL LIABILITIES (continued)

Maturity profile

The maturity profile of the Group's financial liabilities at 30 June 2001 was as follows:

	Mortgage and other bank loans £'000	Finance lease and hire purchase obligations £'000	2001 Total £'000	2000 Total £'000
From 1 to 2 years	1,427	472	1,899	5,984
From 2 to 5 years	39,877	1,340	41,217	21,927
After 5 years	68,412	732	69,144	75,540
Less: loan issue costs	(1,339)	-	(1,339)	(1,482)
Less: deferred interest	-	(508)	(508)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Due after more than one year	108,377	2,036	110,413	101,969
	<hr/>	<hr/>	<hr/>	<hr/>
Due within one year	9,870	472	10,342	22,927
Less: loan issue costs	(139)	-	(139)	(634)
Less: deferred interest	-	(196)	(196)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	118,108	2,312	120,420	124,262
	<hr/>	<hr/>	<hr/>	<hr/>

18. CALLED UP SHARE CAPITAL

	2001 Number	2001 £'000	2000 Number	2000 £'000
Authorised:				
Ordinary shares of 50p each	50,000,000	25,000	50,000,000	25,000
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted, called up and fully paid:				
Ordinary shares of 50p each	39,601,181	19,801	39,601,181	19,801
	<hr/>	<hr/>	<hr/>	<hr/>

Other options over the Company's share capital

As part of the financial restructuring of the Group in December 1993, an option to acquire 250,000 ordinary 50p shares at a subscription price of 200p each was granted to a non-banking creditor of the Company as part consideration for the release of the Company from its obligations under a guarantee. The option is exercisable during certain limited periods in each year until 2 December 2003.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

19. SHARE PREMIUM ACCOUNT – GROUP AND COMPANY

	Total £'000
As at 1 July 2000 and 30 June 2001	1,388

20. RESERVES

	Group £'000	Company £'000
Revaluation reserve		
As at 1 July 2000	24,291	5,400
Revaluation surplus	16,277	10,150
Released to profit and loss account	(7,519)	(425)
As at 30 June 2001	33,049	15,125
	£'000	£'000
Limited recourse reserve		
As at 1 July 2000	2,308	2,544
Transfer to profit and loss account	177	(59)
As at 30 June 2001	2,485	2,485
	£'000	£'000
Profit and loss account		
As at 1 July 2000	(6,982)	4,020
Loss for the year	(5,426)	(1,313)
Transfer from revaluation reserve	7,519	425
Transfer from limited recourse reserve	(177)	59
As at 30 June 2001	(5,066)	3,191

21. MINORITY INTERESTS

The Group's non-equity minority interest represents the value attributed to the minority holdings of preference shares of 1p each in Chalfont Property Investments Limited ("Chalfont"), a subsidiary acquired with the purchase of Albemarle Property Investments Plc. The Group's equity minority interest represents the value attributed to the 23% holding in the ordinary shares of Poole Harbour Services Limited, the yacht haven operation in Poole, not owned by the Orb Estates group.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

22. DEFERRED TAX

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
The potential deferred tax is as follows:				
Losses carried forward	(696)	(3,063)	-	(1,580)
Limited recourse reserve	746	763	746	763
Accelerated capital allowances	362	(37)	39	(32)
Potential capital gains on property disposals	6,824	13,728	5,491	10,937
Potential losses before indexation allowance on investment revaluations	(1,804)	(1,789)	-	(112)
Crystallised capital losses	(10,682)	(13,394)	(1,542)	(3,900)
Short-term timing differences	-	(10)	-	-
	<u>(5,250)</u>	<u>(3,802)</u>	<u>4,734</u>	<u>6,076</u>

No provision has been made for deferred tax in respect of potential capital gains as either no disposal is envisaged in the foreseeable future or any assessable gain arising will be relieved by losses brought forward.

23. RECONCILIATION OF OPERATING PROFIT ON ORDINARY ACTIVITIES TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2001	2000
	£'000	£'000
Operating profit	7,626	1,943
Depreciation charges	294	44
Permanent diminution in value of investment properties	293	-
Amortisation charges	107	76
(Profit)/loss on disposal of fixed assets	(2)	40
Profit on release of convertible loan financial liability	(2,387)	-
Provision against fixed asset investments	15	11
Decrease/(increase) in stocks	278	(22)
Increase in debtors	(30,492)	(2,650)
Decrease/(increase) in development properties	1,194	(664)
Increase/(decrease) in creditors less than one year	<u>54,364</u>	<u>(789)</u>
Net cash inflow/(outflow) from operating activities	<u>31,290</u>	<u>(2,011)</u>

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £'000	2001 £'000	2000 £'000	2000 £'000
(Decrease)/increase in cash and bank balances in the year		(247)		920
Cash (outflow)/inflow from increases in liquid resources	(1,424)		102	
Cash inflow on convertible loan facility	-		(5,076)	
Net loans drawn down	(70,736)		(28,958)	
Issue costs on loan finance	1,585		4,838	
Decrease in limited recourse loans	4		337	
Repayment of unsecured loan note stock	200		655	
Cash outflow from finance leases and hire purchase obligations	388		-	
Redemption of First Mortgage Debenture Stock	39,448	(30,535)	-	(28,102)
Change in net debt from cashflow		(30,782)		(27,182)
Loans disposed/(acquired) with subsidiary undertakings		37,996		(91,158)
Release of loan issue costs		(1,928)		(2,722)
Fair value of loan notes on acquisition		-		(3,042)
Release of convertible loan note financial liability		2,387		-
Conversion to ordinary shares of convertible loan facility		-		5,076
Release of fair value adjustment of First Mortgage Debenture Stock over period to redemption date		-		100
Redemption premium on First Mortgage Debenture Stock		(2,798)		-
Limited recourse reserve movement		-		(180)
Exchange difference		-		2
New finance lease and hire purchase obligations		(2,700)		-
Movement in net debt		2,175		(119,106)
Net debt 1 July		(120,091)		(985)
Net debt 30 June		(117,916)		(120,091)

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2000 £'000	Cashflows £'000	Disposals excluding cash and overdrafts £'000	Other non-cash items £'000	At 30 June 2001 £'000
Cash and bank balances					
Cash in hand and at bank	1,113	(247)	-	-	866
Secured cash	3,102	(1,424)	-	-	1,678
	<u>4,215</u>	<u>(1,671)</u>	<u>-</u>	<u>-</u>	<u>2,544</u>
Debt due within one year					
Limited recourse loans	(44)	4	-	-	(40)
Bank loans	(22,293)	12,770	353	(561)	(9,731)
	<u>(22,337)</u>	<u>12,774</u>	<u>353</u>	<u>(561)</u>	<u>(9,771)</u>
Debt due after more than one year					
Bank loans	(62,732)	(81,921)	37,643	(1,367)	(108,377)
First Mortgage Debenture Stock	(36,650)	39,448	-	(2,798)	-
Other loans including loan notes	(2,587)	200	-	2,387	-
	<u>(101,969)</u>	<u>(42,273)</u>	<u>37,643</u>	<u>(1,778)</u>	<u>(108,377)</u>
Finance leases and hire purchase	-	388	-	(2,700)	(2,312)
Net debt	<u>(120,091)</u>	<u>(30,782)</u>	<u>37,996</u>	<u>(5,039)</u>	<u>(117,916)</u>

26. MAJOR NON CASH TRANSACTIONS

The major non-cash items are the release of loan issue costs of £1,928,000, the premium and costs of £2,798,000 arising on the early redemption of the First Mortgage Debenture Stock, the release of the financial liability of £2,387,000 in respect of the Gander convertible loan notes 2003 (see note 17), and new finance lease and hire purchase agreements totalling £2,700,000 entered into during the year.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

31. RELATED PARTY TRANSACTIONS

(a) Lynch Talbot Limited and General Equity L.P.

Lynch Talbot Limited, a company registered in Jersey, holds the entire share capital of Orb Securities Limited, (the Company's ultimate parent company) as nominee to a number of limited companies. Lynch Talbot Limited acts as investment manager for the high net worth individuals who control Orb Securities Limited. General Equity L.P. was a fund for which Lynch Talbot Limited acted as general partner.

- (i) During the year, a loan account balance was maintained with Lynch Talbot Limited and which had a maximum balance of £17.7 million. At 30 June 2001, the loan account balance was nil (2000: £24,000).
- (ii) During the year, Orb Estates Plc redeemed its partnership capital of £1.5 million in General Equity L.P. at par. No income or capital growth was derived from this investment as redemption took place prior to any crystallisation of gains.

(b) Orb Securities Limited

At 30 June 2001, Orb Securities Limited, a British Virgin Isles registered company, was the ultimate parent company of Orb Estates Plc. Included in amounts due from parent group undertakings at 30 June 2001 was £17.9 million (2000: £nil) due from Orb Securities Limited.

(c) Orb Acquisitions II Limited, Seafeld Limited (formerly Seafeld Plc) and Seafeld Holdings Limited

Orb Acquisitions II Limited, a British Virgin Isles registered company, is a subsidiary of Orb Securities Limited. Orb Acquisitions II Limited was a special purpose vehicle set up to acquire Seafeld Plc, a listed warehousing and logistics operator. Seafeld Holdings Limited is the principal operating company of Seafeld Limited.

During the year, Orb Warehousing Limited, a subsidiary of Orb Estates Plc acquired the entire Seafeld property portfolio from Seafeld Limited at an open market value of £42million.

Included in amounts due from parent group undertakings at 30 June 2001 was £10.6 million from Orb Acquisitions II Limited and £1.7 million from Seafeld Limited. Included in amount due to parent group undertakings at 30 June 2001 was £34 million due to Seafeld Holdings Limited. These balance have arisen following the acquisition of the Seafeld portfolio, the refinancing of the original Orb Acquisition II Limited debt, and funding provided to the Seafeld group.

(d) Peter Catto

Peter Catto, a director of Orb Estates Plc, is Chairman of Northacre Plc, a listed residential property developer. During the year, Orb Estates Plc entered into an agreement to provide convertible loan finance. These convertible loan notes provided for a participation agreement in the development profits arising from the Phillimores project at Campden Hill, London. Orb Estates Plc converted its loan notes into ordinary shares in Northacre Plc on 20 December 2000 and 4 April 2001 respectively. The Northacre Plc shares were disposed of for net sale proceeds of £714,000. At 30 June 2001, Orb Estates Plc continued to hold the participation rights to the profits arising from the Phillimores development project, and at this date, no share of development profits have been recognised.

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

31. RELATED PARTY TRANSACTIONS(CONTINUED)

(e) Charles Helvert

Charles Helvert, a director of Orb Estates Plc, is a director of Atlantic Caspian Resources Plc ("ACR"). ACR shares the offices of Orb Estates Plc at Albemarle Street for which no charges are incurred.

32. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The directors regard Orb Securities Limited, a company registered in the British Virgin Islands, as the Company's ultimate parent company. Lynch Talbot Limited, a company registered in Jersey, holds the entire share capital of Orb Securities Limited, as nominee to a number of limited companies. Orb Securities Limited is controlled by a number of high net worth individuals.