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COURTENAY INVESTMENTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY 2003



GERALD EDELMAN  
CHARTERED ACCOUNTANTS

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## COURTENAY INVESTMENTS LIMITED

### REPORT OF THE DIRECTORS

The directors submit their report and the financial statements for the year ended 31st January 2003.

#### ACTIVITY

The principal activity of the company during the year continued to be ownership of property for rental income.

#### RESULTS AND STATE OF AFFAIRS

The financial statements on pages 4 to 11 set out the results for the year ended 31st January 2003 and reflect the state of the company's affairs at that date.

#### DIVIDEND

A dividend of £300,000 (2002 - £260,000) was paid during the year.

#### DONATIONS

During the year the company made charitable donations totalling £32,500.

#### DIRECTORS AND THEIR INTERESTS

The members of the board throughout the year were as follows:-

Mrs E Osband  
L.J. Osband  
R.A.S. Osband  
S. Hillman  
R.J. Presley  
M.J. Main  
G. Davies (alternate director)

The company is a wholly-owned subsidiary of Courtenay Trust Limited. The directors' beneficial interests in the shares of Courtenay Trust Limited are shown in the financial statements of that company.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the results for that year.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the financial statements and that, except for Statement of Standard Accounting Practice No.19, applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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 preventing and detecting fraud and other irregularities.

COURTENAY INVESTMENTS LIMITED

REPORT OF THE DIRECTORS  
(CONTINUED)

AUDITORS

In accordance with Section 386, Companies Act 1985, Gerald Edelman will continue in office as auditors for the ensuing year.

BY ORDER OF THE BOARD

11<sup>th</sup> April 2003

DATED.....

  
.....  
M.J. MAIN  
SECRETARY

COURTENAY INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COURTENAY INVESTMENTS LIMITED

We have audited the financial statements of Courtenay Investments Limited on pages 4 to 11. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with 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 in our report if we become aware of any apparent misstatements within it.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board having regard to the matter set out in the opinion paragraph below. 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 mis-statement, 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.

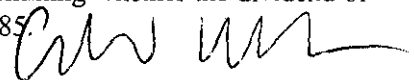
QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

The company's investment properties have not been revalued at the year end date as required by Statement of Standard Accounting Practice No.19. We have been unable to obtain any independent information to enable us to quantify the effects of this non-compliance on the financial statements.

Except for the effects of any adjustments that would be necessary in stating the investment properties at open market value, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> January 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the subject matter of the foregoing qualification is not material for determining whether the dividend of £300,000 paid by the company is permitted under Section 270 of the Companies Act 1985.

25 Harley Street  
London W1G 9BR

  
GERALD EDELMAN  
REGISTERED AUDITOR AND  
CHARTERED ACCOUNTANTS

11<sup>th</sup> April 2003

COURTENAY INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST JANUARY 2003

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
Rents receivable	2	2,529,085	2,436,546
Property expenses		(76,526)	(76,843)
<u>Gross profit</u>		2,452,559	2,359,703
Profit on sale of investment property		3,146	224,825
Administrative expenses		(1,979,716)	(1,961,037)
Other operating income		5,000	5,000
<u>Operating profit</u>	3	480,989	628,491
Interest receivable and similar income	5	37,563	20,164
<u>Profit on ordinary activities before taxation</u>		518,552	648,655
Tax on profit on ordinary activities	6	(132,347)	(99,722)
<u>Profit on ordinary activities after taxation</u>		386,205	548,933
Transfer to other reserves	12	(3,146)	(224,825)
Dividends	7	(300,000)	(260,000)
<u>Retained profit for the year</u>	12	83,059	64,108

There have been no acquisitions or discontinued operations during the year. The results shown above for the current and the previous year therefore relate to continuing operations.

COURTENAY INVESTMENTS LIMITED

BALANCE SHEET AS AT 31ST JANUARY 2003

	<u>Note</u>	<u>2003</u>	<u>2002</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	8	5,702,889	5,753,314
<u>CURRENT ASSETS</u>			
Debtors	9	7,143,410	7,028,450
Cash at bank and in hand		877,286	812,713
		<hr/>	<hr/>
		8,020,696	7,841,163
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN</u>			
<u>ONE YEAR</u>	10	(683,964)	(641,061)
		<hr/>	<hr/>
<u>NET CURRENT ASSETS</u>		7,336,732	7,200,102
		<hr/>	<hr/>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		13,039,621	12,953,416
		<hr/>	<hr/>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	11	719,250	719,250
Other reserves	12	6,711,355	6,708,209
Profit and loss account	12	5,609,016	5,525,957
		<hr/>	<hr/>
<u>TOTAL SHAREHOLDERS' FUNDS</u>		13,039,621	12,953,416
		<hr/>	<hr/>

The financial statements on pages 4 to 11 were approved by the board of directors on 11<sup>th</sup> April 2003 and were signed on its behalf by:

.....DIRECTOR  
L.J. OSBAND

COURTENAY INVESTMENTS LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2003

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains and losses other than those included in the results shown on page 4 and therefore no separate statement of total recognised gains and losses has been presented.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated on page 4 and their historical cost equivalents.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u> £	<u>2002</u> £
Total recognised gains and losses for the year	386,205	548,933
Dividends	(300,000)	(260,000)
	<hr/>	<hr/>
Net additions to shareholders' funds	86,205	288,933
Shareholders' funds at 31st January 2002	12,953,416	12,664,483
	<hr/>	<hr/>
Shareholders' funds at 31st January 2003	<u>13,039,621</u>	<u>12,953,416</u>



COURTENAY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards, except in respect of Statement of Standard Accounting Practice No.19 as explained below. The particular accounting policies adopted are described below.

a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold properties.

b) Tangible fixed assets

Freehold and long leasehold investment properties are stated at cost or valuation. Investment properties are not revalued to open market value each year as the directors are of the opinion that the information would be of no significant value to members.

Depreciation is not provided on freehold or long leasehold investment properties. The directors consider that this accounting policy (which represents a departure from statutory accounting rules) is necessary to provide a true and fair view.

Depreciation on other assets is provided in equal annual instalments over the estimated useful life of the assets concerned and is calculated using the following rates:

Fixtures and fittings	- 25% per annum on cost
Computer equipment	- 33.33% per annum on cost

c) Pension costs

Retirement benefits to employees of the company are provided by a defined contribution scheme. Payments are made to companies which are financially separate from the Courtenay Trust Limited group. Pension costs are recognised in the period to which the payment relates.

2. RENTS RECEIVABLE

	<u>2003</u> £	<u>2002</u> £
Rents receivable from third parties	2,529,085	2,436,546
	<u>                    </u>	<u>                    </u>

All rents receivable arise from the principal activity, which is carried out in the United Kingdom.

3. OPERATING PROFIT

	<u>2003</u> £	<u>2002</u> £
Operating profit is after charging:		
Staff costs (see note 4)	1,761,833	1,728,852
Auditors' remuneration	29,188	25,307
Depreciation	2,425	3,035
Operating leases - land and buildings	46,118	50,899
	<u>                    </u>	<u>                    </u>

COURTENAY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2003  
(CONTINUED)

4.	<u>STAFF COSTS</u>	<u>2003</u> £	<u>2002</u> £
a)	<u>Staff costs, including directors' remuneration, comprise:</u>		
	Wages and salaries	1,564,777	1,538,949
	Social security costs	181,931	175,841
	Pensions	15,125	14,062
		<hr/>	<hr/>
		1,761,833	1,728,852
		<hr/>	<hr/>
b)	<u>Employees</u>		
	The average number of employees during the year, including directors, was 15 (2002 - 15).		
c)	<u>Directors' remuneration</u>	<u>2003</u> £	<u>2002</u> £
	Aggregate emoluments	1,361,233	1,257,916
		<hr/>	<hr/>
	Emoluments of highest paid director	427,705	424,089
		<hr/>	<hr/>
5.	<u>INTEREST RECEIVABLE AND SIMILAR INCOME</u>	<u>2003</u> £	<u>2002</u> £
	Income from short-term investments	37,563	20,164
		<hr/>	<hr/>
6.	<u>TAX ON PROFIT ON ORDINARY ACTIVITIES</u>	<u>2003</u> £	<u>2002</u> £
	UK Corporation tax at 30% (2002 - 30%) on profit for the year	138,540	99,722
	Adjustments in respect of prior years	(6,193)	-
		<hr/>	<hr/>
	Current tax charge	132,347	99,722
		<hr/>	<hr/>

COURTENAY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2003  
(CONTINUED)

6.	<u>TAX ON PROFIT ON ORDINARY ACTIVITIES</u> - (continued)	<u>2003</u> £	<u>2002</u> £		
	Factors affecting the tax charge for the year:				
	Profit on ordinary activities before taxation	518,552	648,655		
	Profit on ordinary activities multiplied by rate of UK Corporation Tax of 30% (2001 : 30%)	155,565	194,597		
	Effects of :				
	Expenses not deductible for tax purposes	4,230	-		
	Indexation relief	(265)	-		
	Capital loss relief from group company	-	(67,448)		
	Adjustments to previous periods	(6,193)	-		
	Other tax adjustments	(20,990)	(27,427)		
	Current tax charge	132,347	99,722		
7.	<u>DIVIDENDS</u>	<u>Per share</u> £	<u>2003</u> £	<u>Per share</u> £	<u>2002</u> £
	Paid	0.321	300,000	0.278	260,000
8.	<u>TANGIBLE FIXED ASSETS</u>	<u>Total</u> £	<u>Freehold investment properties</u> £	<u>Long leasehold investment properties</u> £	<u>Fixtures fittings and computer equipment</u> £
	<u>Cost/valuation</u>				
	At 1st February 2002:				
	At valuation 1960	453,250	453,250	-	-
	At valuation 1969	380,000	380,000	-	-
	At cost	4,964,852	4,836,576	80,817	47,459
		5,798,102	5,669,826	80,817	47,459
	Reimbursement of expenditure	(45,000)	(45,000)	-	-
	Disposals at cost	(3,000)	-	(3,000)	-
	At 31st January 2003	5,750,102	5,624,826	77,817	47,459
	<u>Depreciation</u>				
	At 1st February 2002	44,788	-	-	44,788
	Charge for the year	2,425	-	-	2,425
	At 31st January 2003	47,213	-	-	47,213

COURTENAY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2003  
(CONTINUED)

8. <u>TANGIBLE FIXED ASSETS</u> - (continued)	<u>Total</u>	Freehold investment properties	Long leasehold investment properties	Fixtures fittings and computer equipment
	£	£	£	£
<u>Net book value:</u>				
At 31st January 2003	5,702,889	5,624,826	77,817	246
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
At 31st January 2002	5,753,314	5,669,826	80,817	2,671
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

It is not feasible to state the historical cost comparative figures for properties stated at valuation.

9. <u>DEBTORS</u>	<u>2003</u>	<u>2002</u>
	£	£
Trade debtors	44,303	29,379
Amount owed by parent company	6,978,605	6,938,277
Other debtors	69,323	11,774
Prepayments and accrued income	51,179	49,020
	<u>=====</u>	<u>=====</u>
	7,143,410	7,028,450
	<u>=====</u>	<u>=====</u>

10. <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2003</u>	<u>2002</u>
	£	£
Current corporation tax	138,540	99,722
Other taxation and social security	114,048	112,086
Other creditors	15,837	13,738
Accruals and deferred income	415,539	415,515
	<u>=====</u>	<u>=====</u>
	683,964	641,061
	<u>=====</u>	<u>=====</u>

11. <u>CALLED UP SHARE CAPITAL</u>	<u>2003</u>	<u>2002</u>
<u>Authorised</u>	£	£
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<u>=====</u>	<u>=====</u>
<u>Allotted and fully paid</u>		
719,250 Ordinary shares of £1 each	719,250	719,250
	<u>=====</u>	<u>=====</u>

COURTENAY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2003  
(CONTINUED)

12. <u>RESERVES</u>	<u>Total</u> £	<u>Profit and loss account</u> £	<u>Other reserves</u> £
Balance at 1st February 2002	12,234,166	5,525,957	6,708,209
Retained profit for the year	86,205	83,059	3,146
	<hr/>	<hr/>	<hr/>
Balance at 31st January 2003	12,320,371	5,609,016	6,711,355
	<hr/>	<hr/>	<hr/>

Other reserves represent accumulated surpluses realised on sales of properties which, in accordance with the Articles of Association, are credited to a non-distributable reserve.

13. FUTURE COMMITMENTS

Operating lease commitments

At the year end the company was committed to making the following payments during the next year in respect of operating leases which expire in the following periods:-

	<u>2003</u> £	<u>2002</u> £
<u>Land and buildings</u>		
Due within 6 years	12,485	25,963
	<hr/>	<hr/>

14. RELATED PARTY TRANSACTIONS

Included within other income are management fees of £5,000 receivable from either a related company or from companies under common control.

The company has taken advantage of the exemption available whereby no disclosure is required for related party transactions with companies within the Courtenay Trust Limited group.

15. ULTIMATE HOLDING COMPANY

The ultimate holding company is Courtenay Trust Limited.

COURTENAY INVESTMENTS LIMITED

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY 2003

<u>PROPERTY EXPENSES</u>	<u>2003</u> £	<u>2002</u> £
Insurance	5,919	12,202
Rates	18,745	6,453
Refurbishment and repairs	9,500	5,921
Rent	24,910	24,938
Service charges - not recovered from tenants	-	749
Sundry expenses	16,517	26,580
Bad debts	935	-
	<hr/>	<hr/>
	76,526	76,843
	<hr/>	<hr/>

ADMINISTRATIVE EXPENSES

Audit fee	29,188	25,307
Bank charges	689	883
Computer expenses	4,342	5,362
Gross payroll	1,564,777	1,538,949
Pension costs	15,125	14,062
Private health plan	16,741	31,494
Employer's NIC	181,931	175,841
Pensions paid to former employees	3,930	3,930
Donations	32,500	42,600
Entertaining	3,319	2,444
Legal and professional	78,119	60,211
Cleaning	1,259	1,814
Office expenses	(1,657)	1,253
Rent and rates	25,815	33,417
Staff refreshments	1,055	1,320
Printing, postage, stationery and travel	8,820	8,601
Telephone and fax	6,527	6,584
Depreciation	2,425	3,035
Subscriptions	845	1,160
Staff recruitment	3,966	2,770
	<hr/>	<hr/>
	1,979,716	1,961,037
	<hr/>	<hr/>