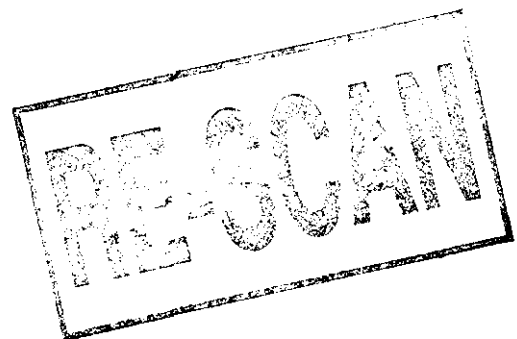

SELLAR PROPERTIES (LONDON 4) LTD

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2002



SELLAR PROPERTIES (LONDON 4) LTD

Contents

	Page
Director's Report	1
Auditors' Report	2
Profit and Loss Account	3
Statement of Recognised Gains and Losses	4
Note of Historical Cost Profits and Losses	4
Balance Sheet	5
Notes to the Financial Statements	6 - 10
<i>The following pages do not form part of the statutory accounts:</i>	
Trading and profit and loss account and summaries	11 - 12

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2002

The director presents his report and the financial statements for the year ended 31 March 2002.

Statement of director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

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

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Principal activities and review of the business

The company's principal activity continues to be that of property investment.

During the year the company transferred certain properties to wholly owned subsidiary companies in connection with a refinancing of the property portfolio. At that time independent professional valuations were obtained in respect of those properties transferred.

Director

The director who served during the year and his beneficial interest in the company's issued share capital was:

	<u>Ordinary shares of £1</u> <u>each</u>	
	<u>31/3/02</u>	<u>1/4/01</u>
I G Sellar	2	2

Dividends

The director does not propose a dividend for the year (2001 - £Nil).

Subsequent Events

There have been no significant post balance sheet events.

Auditors

The auditors, BDO Stoy Hayward, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

The report of the director has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on 23 May 2002 and signed on its behalf.



P H Turpin
Secretary

Report of the independent auditors to the shareholders of Sellar Properties (London 4) Ltd

We have audited the financial statements of Sellar Properties (London 4) Ltd for the year ended 31 March 2002 on pages 3 to 10 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of the director and auditors

The director's 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 Director's 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 is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

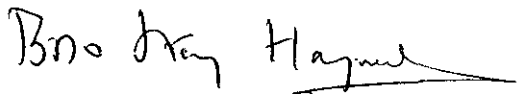
Basis of audit opinion

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward

*Chartered Accountants
and Registered Auditors*

Reading

Date: **24 MAY 2002**

SELLAR PROPERTIES (LONDON 4) LTD

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2002

	Note	2002 £	2001 £
Gross Property Income	1	438,789	599,255
Cost of services		(11,256)	(10,010)
Net Property Income		427,533	589,245
Administrative expenses		(192,793)	(9,855)
OPERATING PROFIT	2	234,740	579,390
Interest payable	3	(425,570)	(570,162)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(190,830)	9,228
TAX ON PROFIT ON ORDINARY ACTIVITIES	4	-	-
(LOSS)/RETAINED PROFIT FOR THE YEAR		(190,830)	9,228
LOSS BROUGHT FORWARD		(79,620)	(88,848)
Transferred from Revaluation Reserve		1,553,717	-
RETAINED PROFIT/(LOSS) CARRIED FORWARD		£ 1,283,267	£ (79,620)

All amounts relate to continuing activities.

The notes on pages 6 to 10 form part of these financial statements.

SELLAR PROPERTIES (LONDON 4) LTD

STATEMENT OF RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2002

	2002 £	2001 £
(Loss)/profit for the financial year after taxation	(190,830)	9,228
Unrealised surplus on revaluation of properties	1,450,000	-
Total gains and losses relating to the year	£ 1,259,170	£ 9,228

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 March 2002

	2002 £	2001 £
Reported (loss)/profit on ordinary activities before taxation	(190,830)	9,228
Realisation of property revaluation gains of current year	1,553,717	-
Historical cost profit on ordinary activities before taxation	£ 1,362,887	£ 9,228
Historical cost profit for the year retained after taxation	£ 1,362,887	£ 9,228

SELLAR PROPERTIES (LONDON 4) LTD

BALANCE SHEET
As at 31 March 2002

	Note	£	2002 £	£	2001 £
FIXED ASSETS					
Tangible fixed assets	5		4,400,000		6,825,000
Investments	6		2		-
			<u>4,400,002</u>		<u>6,825,000</u>
CURRENT ASSETS					
Debtors	7	2,056,355		658,993	
Cash at bank and in hand		48,103		99,407	
			<u>2,104,458</u>	<u>758,400</u>	
CREDITORS: amounts falling due within one year	8	<u>(1,335,152)</u>		<u>(1,578,980)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>769,306</u>		<u>(820,580)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,169,308</u>		<u>6,004,420</u>
CREDITORS: amounts falling due after more than one year	9		<u>(3,402,564)</u>		<u>(5,496,846)</u>
NET ASSETS			<u>£ 1,766,744</u>		<u>£ 507,574</u>
CAPITAL AND RESERVES					
Called up share capital	10		2		2
Revaluation reserve	11		483,475		587,192
Profit and loss account			1,283,267		(79,620)
EQUITY SHAREHOLDERS' FUNDS			<u>£ 1,766,744</u>		<u>£ 507,574</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements on pages 3 to 10 were approved by the board on 23 May 2002 and were signed on its behalf by:



Director

The notes on pages 6 to 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000) and include the results of the company's operations which are described in the Director's Report.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Cash Flow

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1.

1.3 Gross Property Income

Gross Property Income comprises of rental income and service costs rechargeable.

1.4 Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties. The requirements of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been decreased by depreciation on the revalued properties of £88,000.

1.5 Deferred taxation

Provision is made for taxation, using the liability method, on all material timing differences to the extent that it is possible that a liability or asset will crystallise.

2. OPERATING PROFIT

The operating profit is stated after charging:

	2002 £	2001 £
Auditors' remuneration	2,650	2,651
Director's emoluments	-	-

The director did not receive any emoluments (2001 - Nil).

There were no employees other than the director.

SELLAR PROPERTIES (LONDON 4) LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2002

3. INTEREST PAYABLE

	2002	2001
	£	£
Mortgage interest paid	340,143	440,160
Other interest paid	62,575	110,347
Interest on late tax	22,852	19,655
	<u>£ 425,570</u>	<u>£ 570,162</u>

4. TAXATION

There was no corporation tax charge for the year (2000: £Nil).

5. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £
Valuation	
At 1 April 2001	6,825,000
Disposals	(3,875,000)
Revaluations	1,450,000
At 31 March 2002	<u>4,400,000</u>
 Net Book Value	
At 31 March 2002	<u>£ 4,400,000</u>
 At 31 March 2001	<u>£ 6,825,000</u>

Those freehold investment properties retained in the company at the year end were valued on acquisition on 21 January 1998 on an open market basis by Chestertons plc, professional valuers. The director is of the opinion that there has been no significant change from that value.

The historical cost of the land and buildings at 31 March 2002 was:

2002	2001
£	£
<u>£ 3,916,525</u>	<u>£ 6,237,808</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2002

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
Additions	2
At 31 March 2002	2
Net Book Value	
At 31 March 2002	£ 2

Investments include an investment in a subsidiary, Wickpick Limited, comprising a holding of 100% of its issued ordinary capital.

During its latest financial year Wickpick Limited made a profit after tax of £3845 and at the end of that year the aggregate of its capital and reserves was £3846 .

Investments include an investment in a subsidiary, Arnldodge Limited, comprising a holding of 100% of its issued ordinary capital.

During its latest financial year Arnldodge Limited made a profit after tax of £5387 and at the end of that year the aggregate of its capital and reserves was £80388 .

7. DEBTORS

	2002 £	2001 £
Due within one year		
Trade debtors	43,629	37,630
Amounts owed by subsidiaries	867,953	-
Amounts owed by connected companies	1,110,153	586,743
Prepayments and accrued income	34,620	34,620
	<u>£ 2,056,355</u>	<u>£ 658,993</u>

SELLAR PROPERTIES (LONDON 4) LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2002

8. CREDITORS:

Amounts falling due within one year

	2002	2001
	£	£
Mortgage loan	43,065	103,154
Trade creditors	15,038	11,186
Loan owed to participator in joint investment	87,612	388,725
Amounts due to connected companies	636,085	515,435
Taxation and social security	278,866	278,425
Accruals and deferred income	274,486	282,055
	<u>£ 1,335,152</u>	<u>£ 1,578,980</u>

Included within taxation and social security is an amount of £253,906 (2001 - £ 253,906) relating to income tax on mortgage interest retained at source.

In January 1998 the company undertook a joint investment on various properties and as part of this agreement, the other party provided funds relating to 4/7 of the difference between the purchase costs of the property venture and the mortgage loan provided by Norwich Union Mortgage Finance Limited. The remaining 3/7 of the funds were provided by the company. The balance outstanding on this loan at 31 March 2002 is £87,612 (2001 - £388,725). Interest is charged at 18% per annum plus 10% per annum on the excess over the company's loan account.

9. CREDITORS:

Amounts falling due after more than one year

	2002	2001
	£	£
Mortgage loan	<u>£ 3,402,564</u>	<u>£ 5,496,846</u>
Included within the above are amounts falling due as follows:		
In 1 - 5 years:		
Loan instalments	<u>241,214</u>	<u>564,929</u>
In more than 5 years:		
Loan instalments	<u>3,161,350</u>	<u>4,931,917</u>

At 31 March 2002 the company had a mortgage loan with Norwich Union Mortgage Finance Limited of £3,445,630. The mortgage is repayable by instalments before February 2016. Interest is charged at 7.86% per annum on this loan.

The mortgage is secured on the company's freehold land and buildings.

10. CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised		
1,000 Ordinary shares of £1.00 each	<u>£ 1,000</u>	<u>£ 1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1.00 each	<u>£ 2</u>	<u>£ 2</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2002

11. RESERVES

	£
Revaluation Reserve	
At 1 April 2001	587,192
Surplus on revaluation of freehold property	1,450,000
Transfer to Profit and Loss account	(1,553,717)
	<hr/>
	£ 483,475
	<hr/>

12. CONTINGENT LIABILITIES

In January 1998, the company undertook a joint venture agreement with a third party to invest in a portfolio of properties. Under the terms of this agreement, the third party is entitled to 50% of the net profit made on disposal of these properties outside the group, either in part or whole. Net profit is defined as being the difference between the sale price and the rents received and the cost of purchasing the portfolio and all expenses applicable thereto, all costs incurred in the sale of the property and interest paid to Norwich Union. At 31 March 2002 no sale had occurred. The only reasonable estimate of the potential liability is current valuation of the property portfolio of the group less cost price less 50%. This balance is £647,842 before deducting incidental costs of sale. The director considers this to be the most reasonable estimate possible.

13. RELATED PARTIES

Mr I G Sellar, the Director and Shareholder, is the ultimate controlling party by virtue of his 100% holding in the Company's equity capital. The current intercompany balances with companies of which Mr I G Sellar is a director and the ultimate sole beneficial owner are as follows:

Credit balances:

Vansend Limited £152,698 (2001: £76,698)

Sellar Trading Corporation Ltd £355,437 (2001: £355,437)

Doublemore Limited £56,950 (2001: £83,300)

Sellar Properties (Chalk Farm) Ltd £4,000 (2001: Debit £11,000)

Sellar Properties (Coventry) Ltd £67,000 (2001: £Nil)

Debit balances:

Sellar Management Limited £654,650 (2001: £377,150)

Sellar Properties (Western) Limited £98,592 (2001: £81,592)

Sellar Properties (Midlands) Limited £165,600 (2001: £36,000)

Sellar Properties (Eastern) Limited £135,860 (2001: £26,000)

Roko Portsmouth Limited £55,000 (2001: £55,000)

Sellar Properties (Central) Limited £450 (2001: £Nil)

During the year the movement on the above balances represented transfers of funds between these companies which are owned by Mr Sellar.