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Personal storage

The group has 53 centres providing self-managed storage units for personal customers and small and medium-sized businesses on flexible terms.

Records management

A partnership with Iron Mountain Incorporated, providing records and data management services across Europe.

Serviced business space

The group has 225 serviced business space centres offering trading or office space on flexible terms to businesses of all kinds.

We aim to be the leading space management company providing individuals and industry with specialised storage, space and item management where customer service and access are critical.

Before goodwill amortisation and exceptionals

EBITDA⁽¹⁾

£39.1m up **11.3%**

Profit before tax

£18.7m down **5.7%**

Earnings per share

6.75p down **10.2%**

- Total operating profit before property disposals, goodwill amortisation and exceptionals was £31.1 million
 - Personal storage increased 5.6% to £8.0 million
 - Records management increased 57.0% to £5.6 million
 - Serviced business space reduced 3.7% to £17.5 million
- Net debt of £206.3 million giving gearing of 130% (2002: 71%)

⁽¹⁾ Earnings before interest, taxes, depreciation, amortisation and property profits

Nick Smith
Chairman

Overview

The year has seen a major change in the group's strategic direction, with the announcement in December 2002 that the group planned to focus on its personal storage and records management operations and to sell its serviced business space division ("SBS").

We are pleased to announce that we have conditionally agreed to sell SBS to Ashtenne Holdings plc for a consideration of £189.0 million. The sale is conditional on shareholder approval and this is the subject of a circular to shareholders issued today.

The SBS disposal gives rise to provisions for impairment and exceptional costs which, before tax, amount to £61.7 million and lead to the company having a deficit on its distributable reserves.

We are therefore also asking for shareholder approval for a capital reorganisation as a part of our strategy to optimise the group's capital structure, including the resumption of the payment of dividends and an intention to return cash to shareholders when appropriate.

Your Board strongly recommend that you vote in favour of both resolutions.

Group turnover from continuing operations increased by 9.1% to £82.1 million (2002: £75.3 million) and profit on ordinary activities before interest, goodwill amortisation and exceptionals increased by 5.7% to £31.1 million (2002: £29.4 million).

Martin Nye joined us as group chief executive in mid January and is making a major contribution to the group. His priority has been to develop the group's future strategy; details of our plans are included in his report.

Strategic developments

Our review of the group's strategic options concluded that notwithstanding significant investment in SBS over a number of years, returns would not meet those originally anticipated and that the group should focus on its personal storage and records management operations; these offer stronger market positions and higher future returns than SBS. Your Board, therefore, decided to take advantage of beneficial market conditions for industrial properties of the type comprising SBS by disposing of the division.

We have taken an important first step in implementing our strategy by entering into a conditional agreement to sell the SBS business. The sale process has been comprehensive and your Board believes that this transaction optimises value for shareholders. The net cash proceeds of the disposal will immediately be used to reduce the group's debt.

There will be a loss to the group on the disposal of £61.7 million, primarily as a result of the write-off of goodwill arising on the acquisition of Birkby plc in 1999. The company will have a deficit on its distributable reserves of £28.5 million. Your Board therefore today announces a capital reorganisation, which, subject to certain approvals, will eliminate this deficit, enabling dividend payments and a return of capital to shareholders when appropriate.

Following the sale of SBS, the significance of Iron Mountain Europe ("IME"), our joint venture records management company, within the group will increase. We have started discussions with Iron Mountain Incorporated as to how we best recognise the value of our investment in IME. We are discussing many options and there is a commitment from both parties to finding a solution that benefits all. The discussions will continue over the coming months but we are more concerned with finding the right solution rather than a quick solution.

Trading

Results for the year are overshadowed by pre tax exceptional costs of £66.4 million of which £65.5 million relates to losses arising as a result of the disposal.

Group turnover from continuing operations increased by 9.1% to £82.1 million (2002: £75.3 million) and profit on ordinary activities before interest, goodwill amortisation and exceptionals grew by 5.7% to £31.1 million (2002: £29.4 million). EBITDA before exceptional costs increased by 11.3% to £39.4 million (2002: £35.4 million).

Against a difficult economic and competitive environment personal storage operating profit before goodwill amortisation increased 5.6% to £8.0 million (2002: £7.6 million). This was a result of market pressures, to which we were slow to react. We are addressing the issues of management in this division and expect to see improvements over coming periods.

The group's share of the operating profit before goodwill amortisation of IME grew by 57.0% to £5.6 million (2002: £3.5 million) and EBITDA by 49.8% to £7.7 million (2002: £5.1 million). These results demonstrate the strength of this business and the fact that our investments in management, systems and infrastructure are now paying off.

Serviced business space operating profits before goodwill amortisation declined 3.7% to £17.5 million (2002: £18.2 million).

Capital reorganisation and dividend

There will be no final dividend this year as the company does not have sufficient distributable reserves. If shareholders support the capital reorganisation proposals, we shall seek the required approval from the High Court. Assuming all consents are received, this will put us in to a position from which we shall be able to return funds to shareholders when appropriate.

It would be our intention to resume dividend payments and to pay a special one-off interim dividend of 0.89p per ordinary share in lieu of this year's final dividend as soon as the requisite approvals for the capital reorganisation are obtained. The capital reorganisation will also allow the company to initiate a programme of returning cash to shareholders.

Amended banking arrangements have been negotiated for the continuing group which will support general working capital requirements and growth. This may involve proceeds being used to fund organic growth and if the directors consider such investments appropriate, acquisitions within the personal storage and records management sectors.

In addition, at the annual general meeting, the company intends to seek an authority from shareholders for the power to purchase up to 10% of its own ordinary shares for subsequent cancellation. The directors will only use this authority if, in the light of market conditions prevailing at the time, they believe that the effect of any purchase would be to enhance earnings per share and be in the interests of shareholders as a whole.

People

In thanking our staff for their loyalty and support I recognise that it was a year when the business environment was difficult and where a great many of our people were affected by the uncertainties surrounding the SBS sale. In these circumstances their contribution has been exceptional.

Martin Nye is now firmly established as group chief executive and he has already taken on full responsibility for the group's trading. He has led the development of our ongoing strategy and will be responsible for its delivery. Following the annual general meeting I shall move to the role of non-executive chairman. I look forward to this change, which will be in line with plans announced this time last year.

Trading update and outlook

All of our businesses have made an encouraging start to the new financial year and are trading in line with our plans. Investments in management and processes are being made but we are not anticipating a return on this investment until later in the financial year. The directors are confident of the prospects and outlook for the continuing group in the current financial year and are encouraged by the prospects of the markets served by our two continuing operations.

As previously announced, IME is participating in the sale process for the records management business of Hays plc.

By focusing on personal storage and records management, businesses with strong market positions and growth prospects, we are providing a firm base on which to implement a strategy of delivering value to shareholders.



Nick Smith
Chairman
9 July 2003

Martin Nye
Chief executive

Turnover

£82.1m

an increase of 6.1% on last year

Profit before tax

£18.7m

before goodwill amortisation and
exceptionals, reduced by 5.7% on
last year

The last six months have seen good progress in our plan to maximise the value inherent in Mentmore for shareholders.

We announced in December 2002 our intention to focus on our personal storage and records management businesses and sell the serviced business space ("SBS") division. That business has now been sold subject to shareholder approval for £189.0 million to Ashtenne Holdings plc. Completion is scheduled for 31st July. The sale allows us to focus on increasing the value of our two higher growth, higher return businesses.

Whilst the proceeds from the disposal will substantially reduce gearing and interest charges, there are some other financial consequences.

- SBS contributed operating profit before goodwill amortisation of £17.5 million in 2003 and earnings per share of 2.86p in 2003 on a pro forma basis, which will not be repeated in 2004;
- Provision for impairment and exceptional costs of disposal of £61.7 million together with the write off of other costs of £3.8 million relating to the disposal are included in the 2003 results;
- We are not able to pay any dividends, although we are initiating a capital reorganisation to address this situation.

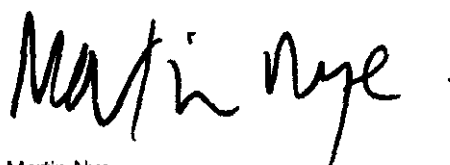
This is my first report to you as chief executive. I am pleased to tell you that we have developed the detail of the group's future structure and strategy to maximise shareholder value. Records management is progressing well and although personal storage has not met its ambitious growth targets we believe both businesses are well positioned to build on their strong market positions.

We also announced last December that my first priority as group chief executive was to develop a plan to take the group forward. With the completion of the sale of SBS, Mentmore is focused on two valuable businesses with good prospects for long term growth. You will see from the operating review that follows that we have clear strategies for each business to increase its value. The highlights of our strategy are as follows:

- to improve the operational performance of personal storage before further investments are made to take advantage of the attractive growth opportunities;
- to continue to support the successful growth of Iron Mountain Europe ("IME") whilst ensuring that the value of our 49.9% shareholding in IME is fully recognised;
- to optimise the group's capital structure, including an intention to return cash to shareholders when appropriate;
- to resume the payment of dividends as soon as possible, including making a special one-off interim dividend of 0.89p per share in lieu of the 2003 final dividend; and

- to review the group's cost structure further when the level of corporate activity diminishes to ensure we have the appropriate overheads for the restructured group.

With this framework in place, I am confident that we can develop the business to deliver value for shareholders.



Martin Nye
Chief Executive
9 July 2003

Spaces personal storage, Wimbledon.

Personal storage

Operating profit

£8.0m

an increase of 5.6% for the year before goodwill amortisation

Increased space

30%

from 12 new centres acquired during the year

Spaces personal storage™ centres provide individual lockable storage units for use by private and business customers and is a leading operator in the UK and in Paris. The market has been growing in volume terms by 20% per annum for the last six years and we anticipate further growth of 10-15% per annum.

The personal storage division accounts for 25.8% (2002: 25.9%) of total operating profit excluding property disposals, goodwill amortisation and exceptionals. For the year to 30 April 2003, spaces personal storage generated an operating profit of £8.0 million before goodwill amortisation (2002: £7.6 million) an increase of 5.6% on the previous year.

www.spaces.uk.com

www.unepieceenplus.com

Personal storage

Spaces personal storage is the largest provider of self-storage facilities in the UK and we also have a good position in the Paris market through Une Pièce en Plus ("UPP"). Personal storage contributed £8.0 million of operating profit before goodwill amortisation this year, which is 5.6% ahead of last year's total, but includes the impact of the acquisitions in 2002.

The market has been competitive, particularly in London and the South East, where there has been an increasing amount of new capacity over the last few years coupled with a lower number of house moves. This has led to declining occupancy in a number of our mature sites and a failure to achieve our growth targets in our newer sites. Our response to these challenges has been slow, something we are now addressing vigorously.

Stripping out the effect of acquisitions, UK revenues grew by 8.0% to £20.6 million (2002: £19.0 million) and operating profit before goodwill amortisation decreased by 5.8% to £7.9 million (2002: £8.4 million). Including acquisitions revenue in the UK grew by 22.2% to £23.3 million and operating profit before goodwill amortisation grew by 3.2% to £8.6 million. The revenues of UPP grew by 47.3% to £2.7 million (2002: £1.9 million) and operating losses before goodwill amortisation reduced to £0.6 million (2002: loss of £0.8 million).

Our total space capacity is 243,000 sq. metres, which is currently 65% occupied. The UK occupancy level declined from 67% last year although this was due in part to the inclusion of the Aardvark sites that were 40% full when we acquired them in September 2002. The average price achieved in the UK marginally increased, reflecting the competitive nature of the market.

We have analysed the UK self storage market in detail and have concluded that it remains an attractive market with good growth prospects and better than average returns on capital when sites are mature. The market has been growing in volume terms by 20% per annum for the last six years and based on a detailed post-code level assessment of supply and demand, we forecast continuing growth of 10-15% per annum. We believe that demand will be less of a constraint on growth than the availability of suitable properties.

We also believe there is good longer term potential in Europe, but we are focusing on our existing business in the UK and Paris where there are plenty of attractive growth opportunities. Spaces is well positioned to take advantage of these as it is the UK market leader with a national network of sites. Attractive returns are available - the average pre-tax return on capital employed of our mature sites is in excess of 20%. UPP is also well positioned, with a strong management team and good infrastructure in central Paris.

In the longer term, we plan to have a rolling programme of new site openings and to consider acquisition opportunities, but believe our short term focus should be on maximising the value of the current business. Our immediate priorities are to strengthen the management team and to improve performance. The business has grown quite rapidly by acquisition and has not put in place the necessary processes and resources.

We are addressing this with a number of new appointments in operations and sales and marketing which will enable us to tackle the 76,500 sq. metres of available capacity. We are also investing in information systems to improve our sales and administrative processes. These changes will take some time to impact performance, holding back profit growth this year, but should have a very positive impact next year.

Key statistics

	Spaces personal storage (UK)		UPP	
	2003	2002	2003	2002
No. of centres	46	34	7	7
Total space capacity ('000 sq. m.)	218.8	166.0	24.2	24.2
Current space utilisation (%)	65.8	67.1	57.1	47.3
Current annualised space revenue (£m)	22.1	17.4	3.0	2.1
Other income (% of space revenue)	11.8	10.7	4.6	3.1

The majority of our spaces personal storage centres have now been re-branded. The re-branding enhances the benefits of providing efficient, localised and personal service to our customers.

We have a good position in the Paris market through UPP.

Operating review continued

Iron Mountain Europe's facility at Isis Reach, Belvedere.

Records management

Revenue

£72.6m

of which £36.2 million is attributable to Mentmore; an increase of 30.8% on last year

Operating profit

£11.2m

of which £5.6 million is attributable to Mentmore; an increase of 57.0% on last year before goodwill amortisation

The market for records management is undergoing rapid transformation. To be a serious provider in this business it is no longer good enough simply to provide space for secure records storage. Customers are demanding more sophisticated information management as well as faster retrieval, better tracking and more active management, via the Internet, of their paper documents and magnetic media.

The records management division accounts for 17.9% (2002: 12.1%) of total operating profit excluding property disposals, goodwill amortisation and exceptionals. For the year to 30 April 2003, the division generated an operating profit of £5.6 million before goodwill amortisation (2002: £3.5 million), an increase of 57.0% on the previous year.

www.ironmountain.co.uk

Records management

Iron Mountain Europe (IME) is our joint venture with Iron Mountain Incorporated, the world's leading records management provider. Mentmore has a 49.9% shareholding in the joint venture. Our share of IME's operating profit was £5.6 million, an increase of 57% on the previous year. The records management division accounted for 18% of total operating profit before goodwill amortisation, although with the disposal of SBS this would have been 45% on a pro forma basis.

IME has further strengthened its market position this year, with a number of significant customer wins and small acquisitions to extend its capabilities outside of the UK. IME is one of three leaders in the £5 billion European market for paper and electronic records management. We estimate that only 10% of the total market is outsourced and expect continuing growth of more than 15% per annum as legislation increases and customers see the cost and service benefits of outsourcing.

IME has a diversified, stable customer base of over 8,000 customers across Europe. These customers provide a strong, predictable recurring revenue stream, with income from customers for records management growing by about 6-8% per year through natural "creep" of new records being produced. IME benefits from cross-selling from Iron Mountain Incorporated's North American customer base - 22% of our new sales last year came from such cross-selling.

The business has invested over the last few years in strengthening its management resources, particularly in sales and account management. Substantial investment has also gone into developing new facilities to accommodate growth. Improvements in facility, labour and transportation effectiveness have improved operating margins before goodwill amortisation from 12.8% last year to 15.4% this year. The successful integration of the TDG acquisition during the year also contributed to the improved performance.

Our strategy is straightforward - to build on the success achieved so far and to go for European market leadership, by leveraging the scale and customer relationships we have in the UK and US and expanding our footprint in continental Europe. We see continuing good growth from developing our relationships with key customers who are looking for consistent levels of service across Europe.

We believe we can grow organically, through larger outsourcing deals and by small bolt-on acquisitions, such as the recently completed acquisition of Record Data in Ireland. This acquisition added new capabilities, customers and further scale and delayed the need to build a new facility in Dublin for another one to two years.

We are continuing to invest to deliver and support strong growth over the next twelve months - particularly in sales and marketing and in country management in continental Europe.

We are currently running at about 85% utilisation of available capacity, so we will need to invest in new capacity as we are successful in winning new business.

With the disposal of SBS, the contribution from Mentmore's share of IME to the group's result will increase significantly. Our joint venture arrangements ensure both effective management equality with our joint venture partner, Iron Mountain Incorporated, as well as appropriate protections for both shareholders for dealing with issues that arise. We continue to work closely with our joint venture partner to develop this business. Recognising that since the joint venture was entered into more than four years ago, both the business and the market have grown substantially, we are considering ways to ensure that both the value created so far and the future growth prospects benefit Mentmore and its shareholders in a tangible way.

The successful integration of the TDG acquisition contributed to the improved performance of the Records management division.

Building on the success achieved so far, we see continuing good growth from developing our key customer relationships with consistent levels of service across Europe.

Serviced business space

Revenue

£56.1m

an increase of 4.7% on last year

Operating profit

£17.5m

a reduction of 3.7% on last year before
goodwill amortisation

Our national network of serviced work and retail space provides flexible accommodation to a wide range of customers. In an ever-changing environment, our SME customers need space that can be rapidly adapted to their specific requirements, allowing them to modify their accommodation as their circumstances change.

The serviced business space division accounts for 56.3% (2002: 62.0%) of total operating profit excluding property disposals, goodwill amortisation and exceptionals. For the year to 30 April 2003, the division generated an operating profit of £17.5 million before goodwill amortisation (2002: £18.2 million), a reduction of 3.7% on the previous year.

www.imexspaces.uk.com

www.inshopsretail.com

The Imex spaces centre at Redditch in the West Midlands, delivers flexible business accommodation for a wide range of customers, whatever their needs.

InShops Selections provides small units to independent traders within centres that represent good quality retailing locations.

The serviced business space division – comprising the Imex, Argo and In Shops businesses – contributed £17.5 million operating profit before goodwill amortisation in the year, a decrease of 3.7% compared to the previous year (2002: £18.2 million). Assuming the sale of the division is completed on 31st July, the results for 2003/04 will include just three months contribution.

These results have been achieved despite a challenging economic environment and the further investment that has been made in the infrastructure and management of the division.

Imex, the largest part of the division, saw operating profit grow by 5.7% and managed to maintain an overall occupancy level of around 80%. The investment in sales and marketing have led to record numbers of new customers joining Imex, but unfortunately this has primarily been offset by larger customer losses than normal. Argo, which saw operating profits grow by 10.1%, benefited from continuing investment in the upgrading of sites. In Shops has had a very difficult year and the refurbishment programme has taken longer than planned. As a consequence, their operating profits fell by 37.3%.

Clive Drysdale
Finance Director

Group results

The group's profit and loss is materially affected by non-trading items in the current year, principally the provision for impairment and exceptional costs of disposal of £61.7 million in respect of the serviced business space ("SBS") division and £3.8 million of other costs associated with this disposal. The following summary of the group's results provides an analysis of trading and non-trading items in comparison to last year:

For the year ended 30 April	2003 £million	2002 £million
Turnover	82.1	77.4
Continuing operations	82.1	75.3
Discontinued activities	-	2.1
Trading profit	32.6	31.9
Total operating profit*	31.1	29.4
Profit on disposal of fixed assets	1.5	2.5
Net interest payable*	(12.3)	(9.5)
Profit before tax – trading*	20.3	22.4
Profit on disposal of investment	-	9.6
Provision for loss on disposal of SBS	(61.7)	-
Other exceptional costs	(4.7)	-
Goodwill amortisation	(7.7)	(7.1)
(Loss)/profit before tax	(53.8)	24.9
Underlying earnings per share*	6.75p	7.52p
Basic (loss)/earnings per share	(31.85p)	10.07p

* before goodwill amortisation and exceptionals

Group turnover above (which excludes our share from joint ventures) increased by 6.1% to £82.1 million (2002: £77.4 million); of this £2.7 million arose from acquisitions in the year. Excluding discontinued activities group turnover increased by 9.1%. Our share of turnover from the Iron Mountain

Europe ("IME") joint venture increased by 30.8% to £36.2 million (2002: £27.7 million).

Trading profit, which includes profits shown as exceptional relating to the disposal of fixed assets, increased by 2.3% to £32.6 million (2002: £31.9 million). Profits from fixed asset disposals can fluctuate from year to year. Excluding these, trading profits increased by 5.7% to £31.1 million (2002: £29.4 million) of which £0.8 million arose from acquisitions in the year.

The profit on disposal of fixed assets in 2002 of £2.5 million includes our £1.0 million share of joint venture profit on disposal of fixed assets and £1.5 million relating to the disposal of the Dutch SBS business that was effectively the sale of two trading properties.

EBITDA for the group before exceptional costs increased by 11.3% to £39.4 million (2002: £35.4 million). Records management delivered the strongest growth with our share of their EBITDA increasing by 49.8% to £7.7 million (2002: £5.1 million). EBITDA in personal storage and SBS grew by 11.7% and 1.8% to £10.6 million (2002: £9.5 million) and £21.3 million (2002: £20.9 million) respectively.

Net interest payable before exceptional costs increased by £2.8 million to £12.3 million (2002: £9.5 million) due to debt funding of acquisitions and capital expenditure. Interest cost for the year was covered 2.52 times (2002: 3.08 times) by trading profit.

The group's tax charge on trading profits before tax was £6.5 million (2002: £6.2 million) representing an effective rate of 31.8% (2002: 27.9%). There is generally no tax charge attributable to profits that arise on the disposal of fixed assets due to the availability of certain reliefs. Excluding profit on the disposal of fixed assets and tax adjustments relating to prior years the effective rate of tax was 38.3% (2002: 35.0%).

Before goodwill amortisation and exceptional items profit after tax reduced by £1.3 million to £12.3 million (2002: £13.6 million). On the same basis, underlying earnings per share reduced to 6.75 pence (2002: 7.52 pence).

The provision of £61.7 million for impairment and exceptional costs of disposal of SBS is required because the book value of the net assets being sold is in excess of the net sales proceeds. £65.0 million of the net assets of SBS relates to goodwill, of which £54.0 million has been impaired in 2003.

Other exceptional costs in the year of £4.7 million primarily relate to the cost of restructuring the funding of the group as part of the process of disposing of SBS. Following this debt levels will substantially reduce and amended bank facility arrangements will need to be entered into.

The profit on disposal of investment of £9.6 million in 2002 arose following the sale of the group's investment in Workspace Group PLC in May 2001.

After taking into account goodwill amortisation and exceptional items the group reported a loss after tax of £57.9 million (2002: profit of £18.2 million) and a basic loss per share of 31.85 pence (2002: basic earnings per share of 10.07 pence).

Dividends

The directors are unable to recommend a final dividend due to a deficit on distributable reserves of £28.5 million. It is our intention to declare a special one-off interim dividend of 0.89 pence per share in lieu of a final dividend as soon as the requisite approvals for the capital reorganisation are obtained. This special dividend, taken together with the interim dividend of 0.425 pence per share paid on 7 April 2003, gives an aggregate of 1.315 pence per share, which represents an increase of 5% on the previous year.

Cash flows

The group continues to be highly cash generative with pre exceptional operating cash flow as a percentage of operating profit before goodwill amortisation and exceptional items being 114.6% (2002: 121.5%).

Operating activities before exceptional costs generated £29.2 million (2002: £31.5 million) which were primarily used to fund capital expenditure of £17.5 million (2002: £39.3 million) and amounts in relation to IME of £6.8 million (2002: £10.0 million). Investments in acquisitions cost £16.4 million (2002: disposal proceeds of £2.5 million) and were funded by debt.

Net interest payments increased by £5.7 million to £12.5 million (2002: £6.8 million) which includes £2.3 million relating to exceptional financing charges. Tax payments reduced by £0.5 million to £4.6 million (2002: £5.1 million).

Cash outflow before financing was £34.2 million (2002: inflow £0.7 million).

Balance sheet

Intangible assets, which comprise goodwill, reduced by £47.5 million. Of this £54.0 million relates to the impairment charge associated with the disposal of SBS. Goodwill arising on acquisitions in personal storage amounted to £11.5 million. The balance relates to amortisation in the year and foreign exchange differences.

Current assets include £19.2 million in relation to the development of IME's records centre in South East London. This was sold in June to a third party who leased the building back to IME on an arm's length basis.

Net debt at 30 April 2003 was £206.3 million (2002: £153.2 million) and comprised net bank borrowings of £195.9 million (2002: £149.2 million) and deferred acquisition loan notes of £10.4 million (2002: £4.0 million). Net assets at 30 April 2003 were £156.3 million (2002: £215.7 million) giving gearing of 130% (2002: 71%).

Equity shareholders' funds reduced by £57.4 million in the year as a result of the retained loss for the year of £58.6 million less £0.4 million on shares issued in respect of share option exercises and £0.8 million of currency translation differences.

Treasury management

The group is primarily exposed to interest rate, liquidity and foreign exchange risks. These are managed at group level and are controlled by the Board. Treasury management is undertaken to minimise these risks with transactions only being made in relation to underlying business requirements. The group's policy is that there are no transactions undertaken of a speculative nature and financial instruments are not traded. The group's other policies are outlined below.

Interest rate risk

The group's policy is to minimise interest cost. Exposure to interest rate movements on group borrowings is managed by maintaining a mixture of fixed and variable rate financing. Fixed interest rates are usually achieved through the use of interest rate swaps. The group also uses financial instruments which cap interest rate exposure and allow interest rates to fluctuate within upper and lower limits. The relevant proportion of each type of financing is adjusted to take account of prevailing market conditions.

At 30 April 2003 £nil of group borrowings were fixed and £75 million operated within specified upper and lower interest rate limits.

Liquidity risk

The group's policy is to maintain committed borrowing facilities with a maturity date exceeding at least twelve months to meet anticipated borrowing requirements in relation to its current business plan. The primary source of funds is bank debt. The level and type of facility is regularly reviewed, particularly in the event of corporate transactions.

Operating cash flow

114.6%

of operating profit versus
121.5% last year

Gearing

130%

as at 30 April 2003 (2002: 71%)

At 30 April 2003 the group's UK committed banking facilities amounted to £250 million. The principal elements of these were:

- a £125 million amortising term loan facility with all but £80 million having a repayment due by September 2007;
- a £125 million revolving credit facility with a bullet repayment in September 2007. In addition the group has bank facilities in France amounting to €2.4 million.

As at 30 April 2003 the group had unutilised bank facilities of £47 million. During the year the group complied with all applicable debt covenants.

As part of the disposal of SBS an underwritten amendment to our existing UK banking facilities has been negotiated whereby, subject to the disposal, the facility is reduced to £70 million on the basis of a revolving credit facility with a bullet repayment in September 2007.

Foreign exchange risk

Although the group is becoming more exposed to foreign exchange risk due to its expansion in continental Europe this still remains immaterial to the group as a whole. The group's policy covers three areas of exposure – balance sheet net assets, earnings and transactions:

- where considered material balance sheet net assets are protected from currency exposures by borrowing in relevant currencies;
- at present the group does not protect earnings of overseas operations against currency fluctuations;
- foreign currency transactions, where significant, are protected by way of forward exchange contracts

At 30 April 2003 the group had no forward exchange contracts.

Accounting standards

The group's accounting policies fully reflect the requirements of the Accounting Standards Board.

No new applicable Financial Reporting Standards have been issued in the year.

Under the transitional arrangements contained within FRS 17, additional defined benefit pension scheme disclosures have been given in the financial statements this year. In accordance with FRS 17, retirement benefits continue to be accounted for under the rules set out in SSAP24.

Board of directors

- | | | |
|---|---|---|
| 1 | 2 | <p>1 Nick Smith, chairman, joined the Board in January 1995. Aged 63, he was formerly President of Kimberly-Clark Europe and has considerable business experience in the manufacture and marketing of consumer products.</p> <p>2 Martin Nye, chief executive, joined the Board in January 2003. Aged 39, he has a successful track record in the support service industry and until recently was chief executive at Endeva, the UK's leading home delivery and service operation for electrical goods. Prior to this he held a number of senior executive roles within Exel plc, most recently as President, Global Technology division.</p> |
| 3 | 4 | <p>3 Clive Drysdale, finance director and company secretary, joined the Board in November 1995. Aged 40, he is a chartered accountant and previously spent nine years with Price Waterhouse.</p> <p>4 Brian Howes OBE DL, independent non-executive director, joined the Board in February 1997. Aged 65 he is chairman of Finance Wales plc, a council member of Prince's Trust Cymru and a director of Young Enterprise Wales. Formerly President of Kimberly-Clark Europe's Away from Home Sector.</p> |
| 5 | 6 | <p>5 Leigh Collins, independent non-executive director, joined the Board in June 2000. Aged 55, he was a founding director of the stockbroking firm Collins Stewart where he was head of corporate finance. He is a director of European Telecom plc, Quarto Group Inc and Bank Restaurant Group PLC.</p> <p>6 Richard Wright, senior independent non-executive director, joined the Board in June 2002. Aged 57, he is chairman of National Savings and Investments and was, until his retirement, director of sales Ford Motor Company UK. He is also a non-executive director of API PLC.</p> |

Directors' remuneration report

The directors present the directors' remuneration report for the year ended 30 April 2003.

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, which introduced new requirements in respect of financial periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority.

As required by the Directors' Remuneration Report Regulations 2002, a resolution to approve this directors' remuneration report will be proposed at the company's annual general meeting.

The auditors are required to report to the shareholders on the "auditable part" of the directors' remuneration report and to state whether in their opinion the "auditable part" of the directors' remuneration report has been properly prepared in accordance with the Companies Act 1985. This report therefore has separate sections containing unaudited and audited information.

UNAUDITED INFORMATION

Remuneration committee

The remuneration committee consists wholly of independent non-executive directors. The following independent non-executive directors served as members of the remuneration committee during the year and in the period to 8 July 2003 unless otherwise disclosed:

Brian Howes (Chairman of the remuneration committee)
Leigh Collins
Richard Wright (from 12 June 2002)
Anthony Lewis (to 4 September 2002)

The remuneration committee makes recommendations to the Board, within agreed terms of reference, concerning the company's framework of executive remuneration. The remuneration committee determines the remuneration and benefits packages of the executive directors, considers their service contracts, salaries, other benefits, including bonuses and participation in the company's share option plans and other terms and conditions of employment including any compensation payments on termination of office. It also agrees terms for their appointments as non-executive directors of other companies and other organisations.

The chairman, Nick Smith, is invited to attend meetings when appropriate, to provide advice to the remuneration committee. However, Nick Smith is not present when matters affecting his own remuneration arrangements are considered and no director takes part in discussions concerning his own remuneration.

Remuneration policy

The company's remuneration policy is that the remuneration package of the executive directors should be sufficiently competitive to attract, retain and motivate directors to achieve the company's objectives. In framing its remuneration policy, the company aims to attract and retain directors to run the company successfully without making excessive payments.

The company's remuneration policy for executive directors is prudently designed to take into account individual and company performance, market comparisons and competitive pressures in the industry. External comparisons consider comparable roles in similar organisations in terms of size, market sector and the nature of the business.

There are four main elements to the remuneration packages of the executive directors and other senior executives:

- basic salary, including benefits;
- annual bonus awards;
- share option schemes; and
- pension arrangements

The remuneration committee considers that it is important to link a proportion of the total executive remuneration package to individual and company performance. In 2003, the performance related elements of the executive's remuneration package was 50% for Martin Nye and 17% for Clive Drysdale. Nick Smith does not have a bonus element as part of his remuneration package. Clive Drysdale will be entitled to a bonus of £54,000 conditional

on the successful disposal of SBS. In addition, following the sale, the performance related element of his remuneration package is to be reviewed. The proportion of performance related remuneration for Martin Nye is not anticipated to increase in 2004.

The company's policy is for executive directors to have one year rolling service contracts that provide for a one year's notice period.

Basic salary

Basic salaries are reviewed annually by the remuneration committee, prior to the beginning of each year, and increased where it believes that adjustments are appropriate to reflect performance, increased responsibilities and/or market pressures. Salary increases for 2003 averaged 2.8%, with the largest increase being 5.6%. Salaries were reviewed again in April 2003 and remained unchanged with the exception of Clive Drysdale whose salary was increased by 4.0% for 2004.

Other benefits for executive directors include a car allowance and private medical cover for the director and immediate family. The company also has a permanent health insurance policy to provide cover for the executive directors.

Annual bonus awards

The annual bonus plan focuses on annual objectives and is designed to reward the achievement of results against those objectives. Targets are set before the beginning of the financial year and performance is reviewed throughout the year. The principal objectives for each executive director in the annual bonus plan relate to the achievement of profit and cash flow targets based on the group's budget. For 2003, Martin Nye had a specific target of delivering the group's strategic plan by the end of the financial year and his bonus entitlement was primarily based on this. Targets are generally set at group level but account may also be taken of the performance of the individual operations for which executive directors are responsible. Annual performance related bonuses have been set at, and will generally remain at, a maximum of 50% of basic salary for Martin Nye. As noted earlier, Clive Drysdale's performance related bonus is to be reviewed following the sale of SBS. Bonuses are non-pensionable.

Share option schemes

Share option schemes are seen as being an effective way of aligning the long term interests of executive directors with those of shareholders. All share option schemes have been approved by shareholders and are targeted at an improvement in the group's earnings per share over and above the retail price index or specified growth targets. These performance conditions must be met before any options can be exercised. The price at which shares may be acquired is the market price within a specified number of days prior to the date of grant. Options, which are also issued to employees in the group, are granted from time to time on a discretionary basis as determined by the remuneration committee, based on each individual's performance.

The main share option scheme under which share options have been granted to the executive directors is the Mentmore Abbey Senior Executive Share Option Scheme. Other than the share save scheme, this is the only scheme from which the current executive directors will be granted options. The performance condition for this scheme is that the group's earnings per share must grow by an annual compound growth of 20% over a period of five consecutive financial years to obtain full entitlement. No part of the option will be exercisable unless the annual compound growth is at least 10%. At 10% per annum compound growth, 10% of the shares under option will be exercisable with the percentage exercisable increasing proportionately from 10% to 100% for annual growth between 10% and 20%.

Pension arrangements

Clive Drysdale accrues pension benefits through the group's defined benefit scheme and Martin Nye through a defined contribution scheme. The defined benefit scheme is a funded and approved final salary pension scheme. The scheme provides an accrual of benefits that is designed to provide a pension equivalent to two thirds of the directors' final salary on retirement at age 60, with two-thirds of the director's pension for the surviving spouse. Pensions are based on the executive's basic annual salary. Bonuses, other benefits and incentives are not pensionable.

Non-executive directors

The non-executive directors do not have service contracts. The non-executive directors have letters of appointment concerning, amongst other things, the initial terms for which they are appointed, a general statement of their role and duties, the fees they will receive as a director and the supplementary fees receivable for additional work.

The fees of non-executive directors are determined by the full Board.

The basic fee for non-executive directors, which includes membership of committees, is £25,000 per annum. The non-executives are not eligible for bonuses, pension benefits, share options or other benefits.

Performance graph

The following graph shows the company's performance for the last five years, as measured by the Total Shareholder Return (TSR) (with dividends reinvested), for equity shareholders of Mentmore plc, compared with the TSR for the FTSE Support Services index. This index was chosen as it represents the sector index of which the company is a constituent member.

Service contracts and letters of appointment

The company's policy is for the executive directors to have one year rolling service contracts that provide for a one year's notice period. The service contract of the executive directors who served during the year ended 30 April 2003, include the following terms:

<i>Executive directors</i>	Date of contract	Unexpired terms (months)	Notice period (months)
NP Smith	1 April 1996	Rolling one year	12
CD Drysdale	21 May 1998	Rolling one year	12
MJ Nye	13 January 2003	Rolling one year	12
KDS Taylor-Smith (resigned 12 June 2002)	26 July 1999	N/A	12

The service contracts of executive directors contain a provision for a compensation payment that is payable when the requisite 12 month's notice is not given to the director. In the event of early termination of the service agreement, the payments to which the director would be entitled comprise basic salary and full benefits for the notice period.

The letters of appointment of the non-executive directors serving as at 30 April 2003, include the following terms:

<i>Non-executives</i>	Date of letter of appointment	Unexpired terms (months)	Notice period (months)
GL Collins	26 July 2000	36	None
BJ Howes	16 January 1997	19	None
R Wright	11 June 2002	24	None

Non-executives are appointed for an initial three year term which may, if appropriate, be extended to a further term of three years but not normally for longer. Brian Howes' term was extended in the current year to January 2005. The letters of appointment do not contain notice periods or provision for termination payments.

INFORMATION SUBJECT TO AUDIT

Directors' remuneration

The emoluments of directors was as follows:

	Salary and fees £'000	Benefits in kind £'000	Annual bonus £'000	2003 Total £'000	2002 Total £'000
Executives					
NP Smith	165	19	–	184	173
KDS Taylor-Smith (to 12.6.2002)	26	2	–	28	253
CD Drysdale	151	20	–	171	158
MJ Nye (from 13.1.2003)	70	5	34	109	–
Non-executives					
GL Collins	23	–	–	23	17
BJ Howes	22	–	–	22	18
AM Lewis (to 4.9.2002)	5	–	–	5	17
R Wright	23	–	–	23	–
MJ Woodhead (to 5.9.2001)	–	–	–	–	10
Aggregate remuneration	485	46	34	565	646

Benefits in kind include car allowances and private medical cover for the director and immediate family.

In addition to the amounts disclosed above:

- (1) Nick Smith made gains of £184,000 on the exercise of share options in the year, full details of which are given below.
- (2) Kim Taylor-Smith, received the sum of £258,000 by way of compensation for loss of office. He remained an employee until 1 October 2002 and received salary and benefits amounting to £94,000 up to this date.
- (3) In 2002 Kim Taylor-Smith made a gain of £10,000 on the exercise of share options.
- (4) In 2002 Michael Woodhead received an ex-gratia payment of £6,000 on retirement.

Directors' share options

Options have been granted to executive directors under the company's employee share option schemes. Information is provided below for directors who served in the financial year ended 30 April 2003.

			No. of options							
	Date of Grant	At start of year	Granted during year	Exercised during year	At end of year	Exercise price	Market price on date of exercise	Gain on exercise of option £'000	Date from which exercisable	Expiry date
NP Smith										
NPS Option	4.10.95	797,927	-	(797,927)	-	45.0p	66.5p	172	Oct 00	Oct 02
1992 Sharesave	6.3.97	39,564	-	(39,564)	-	43.6p	74.5p	12	April 02	Sept 02
1994 Scheme	3.8.98	32,858	-	-	32,858	91.3p	-	-	Aug 01	Aug 08
1996 Scheme	3.8.98	92,142	-	-	92,142	91.3p	-	-	Aug 01	Aug 05
1999 Scheme	4.1.99	2,136,405	-	-	2,136,405	115.0p	-	-	Jan 04	Jan 09
1999 Scheme	20.9.99	1,200,000	-	-	1,200,000	143.166p	-	-	Sept 04	Sept 09
1999 Scheme	18.1.02	290,000	-	-	290,000	134.5p	-	-	Jan 07	Jan 12
CD Drysdale										
1992 Sharesave	25.1.02	15,324	-	-	15,324	108.0p	-	-	Mar 07	Aug 07
1996 Scheme	3.8.98	75,000	-	-	75,000	91.3p	-	-	Aug 01	Aug 05
1999 Scheme	4.1.99	1,427,118	-	-	1,427,118	115.0p	-	-	Jan 04	Jan 09
1999 Scheme	20.9.99	1,000,000	-	-	1,000,000	143.166p	-	-	Sept 04	Sept 09
1999 Scheme	18.1.02	290,000	-	-	290,000	134.5p	-	-	Jan 07	Jan 12
MJ Nye										
1994 Scheme	14.1.03	-	36,697	-	36,697	81.75p	-	-	Jan 06	Jan 13
1996 Scheme	14.1.03	-	463,303	-	463,303	81.75p	-	-	Jan 06	Jan 10
1999 Scheme	15.1.03	-	1,200,000	-	1,200,000	78.83p	-	-	Jan 08	Jan 13

All options over 2,280,954 shares granted to Kim Taylor-Smith lapsed unexercised in this year. Other than the options described above, no options granted to directors lapsed unexercised and there were no options exercised during the year.

No amount was paid for the award of any options. The price at which shares may be acquired is the market price within a specified number of days prior to the date of grant. The market price of the shares at 30 April 2003 was 79.0p and the low and high for the year was 52.5p and 115.5p.

Under the employee share option schemes, the options are subject to performance conditions (as described above) that must be met before the options can be exercised.

There have been no changes to the terms and conditions of the directors' entitlement to the share options.

There have been no changes to directors' interests in share options held between the year end and 9 July 2003.

Directors' pension entitlements

The following director has pension entitlements under the group's defined benefit pension scheme:

	Age at 30 April 2003	Accrued benefit at 30 April 2003 £'000 per annum	Change in accrued pension due to inflation £'000 per annum	Change in accrued pension due to other factors £'000 per annum	Accrued benefit at 30 April 2003 £'000 per annum
CD Drysdale	40	21	–	4	25

The transfer value of each director's accrued benefits at the end of the financial year is shown below (note that transfer values represent a liability of the company, not a sum paid or due to an individual):

	Transfer value at 30 April 2002 £'000	Increase in transfer value not due to directors' contributions £'000	Increase in transfer value not due to inflation or directors' contributions £'000	Transfer value at 30 April 2003 £'000
CD Drysdale	132	44	19	180

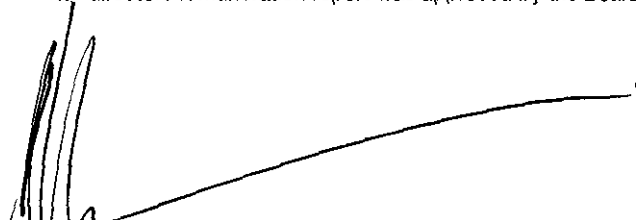
Pension scheme members have the option to make additional voluntary contributions. The information disclosed in the tables above excludes any such contributions and the resulting benefits.

The following directors were members of the group's money purchase schemes. Company contributions to directors' money purchase pension plans amounted to:

	2003 £'000	2002 £'000
MJ Nye	10	–
KDS Taylor-Smith	4	46
	14	46

Approval

The directors remuneration report was approved by the Board on 9 July 2003 and signed on its behalf by:



BJ HOWES
Chairman of the remuneration committee

The Board recognises its responsibilities in complying with the principles of corporate governance as set out in the Combined Code in the Listing Rules of the Financial Services Authority. The Board is of the opinion that it has complied with the provisions of the Combined Code.

Following the resignation of Kim Taylor-Smith in June 2002, Nick Smith took on the role of acting chief executive in addition to his role as chairman. This situation lasted until January 2003 when Martin Nye took up his appointment as group chief executive.

Board of Directors

The Board of Directors, which currently comprises six members, meets regularly and retains full and effective control over the group. It has a schedule of matters specifically reserved for its decision and has delegated authority to committees of directors on certain specific matters. All directors have access to the advice and services of the company secretary and, if necessary, to take independent professional advice at the group's expense.

The Board includes three non-executive directors who bring an independent judgement to the management of the group. They are all free from any business or other relationships which could interfere with the exercise of their judgement. Non-executive directors are appointed for an initial three-year term which may, if appropriate, be extended to a further term of three years but not normally for longer. Richard Wright acts as senior independent non-executive director.

Audit committee

The audit committee, which meets at least twice a year, comprises the non-executive directors and is chaired by Leigh Collins. The auditors and executive directors attend the meetings by invitation. It is the responsibility of the audit committee to examine and review internal controls, financial and accounting policies and practices, the form and content of financial reports and statements and general matters raised by the auditors.

Nominations committee

The nominations committee, which meets at least once a year, comprises the non-executive directors and is chaired by Richard Wright. It is responsible for considering and recommending to the Board changes in the Board's composition and membership.

Remuneration committee

The remuneration committee which comprises the non-executive directors and is chaired by Brian Howes meets at least once a year. It is responsible for determining individual remuneration and terms and conditions of employment of the chairman and executive directors and for the granting of any share options.

Details of individual directors' remuneration and share options are included in the directors' remuneration report.

Internal control

The directors have overall responsibility for ensuring that the group maintains an adequate system of risk management and internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate the risks inherent in the business and can therefore only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board monitors risk management through an ongoing process which accords with the Turnbull guidance and provides assurance that the significant risks faced by the group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity. The principal features of this process are:

- comprehensive budget setting process with both annual and longer term forecasts being reviewed and approved by the Board;
- comparison by the Board of actual results against budget;
- formal monthly meetings between the executive directors and subsidiary management to review financial and operating performance as well as future plans;
- appropriate delegated authority levels across the group which prescribe the limits to which the group can be committed;
- clearly defined authority for the approval of capital expenditure;
- formal procedures, based on self-assessment, for the measurement and evaluation of financial control at each operating unit throughout the group; and
- other risk management policies and procedures which are designed to meet the needs of the particular business to which they relate. These include health and safety, the environment, legal compliance, quality assurance, risk transfer, insurance and security.

These procedures have been in place throughout the year and the directors have reviewed their effectiveness.

Owing to the size of the group the Board does not consider it practical to have its own internal audit function. Reliance is placed on the risk management procedures described above and supplemented by specific reviews by group head office when circumstances dictate. The Board will continue to monitor the need for an internal audit function.

Going concern

The directors having made appropriate enquiries, including a review of the group's budget for 2004 and its medium-term plans, have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Shareholder relationships

Presentations are made to shareholders, institutions and analysts at least twice a year to coincide with results announcements. Additional dialogue with institutions is entered into as necessary, mindful of the rules on insider dealings and price-sensitive information. Shareholders are actively encouraged to visit the company to be shown its operations.

The group's annual and half-year reports, presentations to institutional shareholders on these reports and announcements issued to the London Stock Exchange are published on the company's website, www.mentmore.plc.uk.

Notice of the annual general meeting is given to shareholders at least 20 working days in advance. The meeting is conducted in an open manner and all attendees are given the opportunity to question the Board and vote on each resolution. Where resolutions are dealt with by show of hand, the results of proxy votes for and against are announced.

Directors' report

The directors present their report together with the audited financial statements of the group for the year ended 30 April 2003.

Principal activity

The principal activity of the group is the provision of specialist storage, space and item management where customer service and access are critical. These activities are fully described in the chairman's statement and the operating and financial reviews, together with a review of the group's business and likely future developments. Details of the principal operating companies of the group are given in note 12 to the financial statements.

Group results and transfers to reserves

Loss before taxation amounted to £53.8 million (2002: profit before taxation £24.9 million). The loss attributable to ordinary shareholders amounted to £57.8 million (2002: profit of £18.2 million) which, after dividends of £0.8 million (2002: £2.3 million), resulted in a transfer to reserves of a loss of £58.6 million (2002: profit of £15.9 million).

Capital reconstruction

After taking into account the result for the year, Mentmore plc has a deficit on its profit and loss account of £28.5 million as at 30 April 2003 and the directors are therefore unable to propose a final dividend. In order to enable the company to pay dividends in the future and allow for the possible purchase of shares for cancellation, the directors are proposing, subject to both shareholder and High Court approval, a capital reconstruction whereby £100 million of share premium account will be converted to a distributable reserve. Assuming that the necessary approvals are obtained and after taking into account the deficit as at 30 April 2003 the company's distributable reserves would stand at £71.5 million.

Authority is being sought from shareholders for the capital reconstruction at the annual general meeting.

Dividends

As noted above, the directors are unable to recommend a final dividend per ordinary share (2002: 0.85p). An interim dividend of 0.425p per ordinary share (2002: 0.402p) was paid on 7 April 2003.

Assuming that all consents are received in respect of the capital reconstruction the directors will pay a special one-off interim dividend of 0.89p per ordinary share in lieu of the 2003 final dividend.

The total dividends for the year are therefore 0.425p (2002: 1.252p). Had the directors been able to propose the special one-off dividend in lieu of the final dividend in these financial statements, the total dividends for 2003 would have been 1.315 per ordinary share, an increase of 5.0% on 2002.

Share capital

The directors are seeking the authority from shareholders at the annual general meeting to allow them to issue new shares for cash to persons who are not existing shareholders up to a maximum nominal value of £910,542. This sum represents 9,105,425 ordinary shares of 10p each, being equivalent to 5% of the entire issued share capital at 9 July 2003. The authority will terminate no later than 15 months from the passing of the resolution.

In addition, the directors are seeking the authority from shareholders at the annual general meeting to allow them to purchase and cancel up to 18,210,850 shares, representing 10% of Mentmore's present issued share capital. The maximum price to be paid on any exercise of this authority is to be restricted to not more than 5% above the average of the middle-market quotation for the shares for the five dealing days immediately preceding the day of purchase. The minimum price payable for each share is 10p. The authority is sought by way of special resolution. Although the directors have no present intention of utilising this authority, it will be exercised by them if, in the light of market conditions at the time, the directors expect it to result in an increase in earnings per share, and if it is in the best interests of shareholders. Account will also be taken of the effect of gearing and the overall position of the company. The authority will terminate no later than 12 months from the passing of the resolution.

Substantial shareholdings

As at 8 July 2003 the company had been advised of the following interests of 3% or more in its ordinary share capital:

	No. of shares	%
JO Hambro Capital Management Ltd	23,852,963	13.10
Fidelity International Limited	17,338,870	9.52
BrITel Fund Trustees Limited	9,398,354	5.16
Zurich Financial Services Limited	7,641,818	4.20
Legal & General Investment Management Limited	7,312,510	4.02
PossFund Custodian Trustee Limited	7,256,144	3.98
Nottinghamshire County Council	5,850,000	3.21
Canada Life Limited	5,760,000	3.16

Directors

Richard Wright and Martin Nye were appointed to the Board on 12 June 2002 and 13 January 2003 respectively. Kim Taylor-Smith and Anthony Lewis resigned from the Board on 12 June 2002 and 4 September 2002 respectively.

In accordance with the Articles of Association, Clive Drysdale and Brian Howes retire by rotation from the Board and, being eligible, offer themselves for re-election.

In addition, in accordance with the Articles of Association, Martin Nye having been appointed since the last annual general meeting retires from the Board and, being eligible, offers himself for re-election.

The interests of the directors in the ordinary shares of the company (beneficial unless otherwise stated) were:

	30 April 2003	30 April 2002 or date of appointment
NP Smith	1,200,799	363,308
CD Drysdale	51,460	51,460
MJ Nye	100,000	-
GL Collins	100,000	100,000
BJ Howes	40,000	40,000

There were no changes in directors' interests in shares between 30 April 2003 and 9 July 2003.

Details of the directors' interests in share options are given in the directors' remuneration report.

No director had an interest in the shares of any subsidiary undertaking during the year.

Employees

The Board pursues policies designed to encourage employees to identify with the group and use their knowledge and skills actively towards its success. Management are encouraged to make employees aware of the financial and economic factors affecting the group's performance.

Applications from disabled persons are given full and fair consideration. Where an employee becomes disabled while employed, arrangements are made wherever practicable to maintain employment. The group seeks to develop the skills of disabled persons by providing appropriate training, taking into account their particular needs.

Environmental responsibility

The environmental impact of the group's operations is low when compared to many other industries. Notwithstanding this, the Board is committed to the improvement of the group's environmental performance and to minimise any adverse effects that its operations may have on the environment.

Each operating business is responsible for developing

environmental policies and procedures appropriate to its business. The main focus of these is to comply fully with local environmental legislation, improve energy efficiency and reduce usage of hazardous or deleterious materials.

In addition, it is group policy that all new site acquisitions are assessed for environmental impact as part of the due diligence process.

Charitable and political contributions

The group made contributions for charitable purposes amounting to £2,569 in the year (2002: £2,065). No donations were made to political organisations.

Policy for payment of creditors

The group's policy for the year to 30 April 2004, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. At 30 April 2003 the company had trade creditors outstanding for an average of 31 days (2002: 30 days).

Auditors

A resolution proposing the reappointment of RSM Robson Rhodes LLP as auditors will be put to the annual general meeting.

Notice of meeting

The notice of the annual general meeting to be held on 20 August 2003 was sent to shareholders on 9 July 2003 as part of the circular to shareholders in connection with the proposed disposal of SBS and capital reorganisation.

By order of the Board



CD Drysdale
Company Secretary
9 July 2003

Statement of directors' responsibilities

Company law in the United Kingdom 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 and of the profit and loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

The annual report is available on the company's web site. The maintenance and integrity of Mentmore plc's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent auditors' report to the shareholders of Mentmore plc

We have audited the financial statements on pages 32 to 56. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration 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 and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been 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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the

chairman's statement, the operating and financial review, the corporate governance statement and the five year summary. 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 information outside the annual report.

Basis of audit opinion

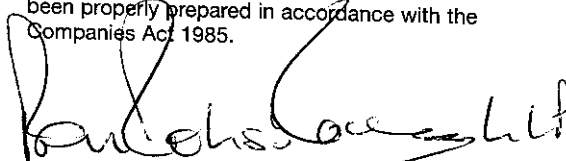
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. 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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

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 30 April 2003 and of the group's loss for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Centre City Tower, 7 Hill Street
Birmingham B5 4UU
England
9 July 2003

Group profit and loss account
for the year ended 30 April 2003

	Notes	Before goodwill amortisation and exceptional £'000	Goodwill amortisation and exceptional £'000	Total 2003 £'000	Before goodwill amortisation and exceptional £'000	Goodwill amortisation and exceptional £'000	Total 2002 £'000
Turnover	1	82,102	-	82,102	77,405	-	77,405
Continuing operations:							
Group and share of joint venture		115,625	-	115,625	102,988	-	102,988
Less: group's share of joint venture		(36,238)	-	(36,238)	(27,705)	-	(27,705)
Group		79,387	-	79,387	75,283	-	75,283
Acquisitions		2,715	-	2,715	-	-	-
		82,102	-	82,102	75,283	-	75,283
Discontinued activities		-	-	-	2,122	-	2,122
		82,102	-	82,102	77,405	-	77,405
Cost of sales		(46,230)	-	(46,230)	(42,397)	-	(42,397)
Gross profit		35,872	-	35,872	35,008	-	35,008
Administrative expenses		(10,388)	(6,436)	(16,824)	(9,186)	(5,726)	(14,912)
Provision for impairment and exceptional costs of disposal	3	-	(61,746)	(61,746)	-	-	-
Group operating profit/(loss)	2	25,484	(68,182)	(42,698)	25,822	(5,726)	20,096
Continuing operations:							
Existing activities		24,736	(67,834)	(43,098)	25,911	(5,726)	20,185
Acquisitions		758	(348)	410	-	-	-
		25,494	(68,182)	(42,688)	25,911	(5,726)	20,185
Discontinued activities		(10)	-	(10)	(89)	-	(89)
		25,484	(68,182)	(42,698)	25,822	(5,726)	20,096
Share of operating profit in joint venture		5,568	(1,594)	3,974	3,546	(1,365)	2,181
Total operating profit/(loss)	1	31,052	(69,776)	(38,724)	29,368	(7,091)	22,277
Profit on disposal of fixed assets		-	1,588	1,588	-	-	-
Share of joint venture profit on disposal of fixed asset		-	-	-	-	1,021	1,021
Profit on disposal of operations	4	-	-	-	-	1,529	1,529
Profit on disposal of investment	4	-	-	-	-	9,646	9,646
Profit/(loss) on ordinary activities before interest		31,052	(68,188)	(37,136)	29,368	5,105	34,473
Net interest payable	5	(12,337)	(4,365)	(16,702)	(9,525)	-	(9,525)
Profit/(loss) on ordinary activities before taxation		18,715	(72,553)	(53,838)	19,843	5,105	24,948
Taxation	6	(6,452)	2,421	(4,031)	(6,239)	(500)	(6,739)
Profit/(loss) on ordinary activities after taxation		12,263	(70,132)	(57,869)	13,604	4,605	18,209
Dividends	7	(774)	-	(774)	(2,270)	-	(2,270)
Transfer (from)/to reserves	20	11,489	(70,132)	(58,643)	11,334	4,605	15,939
Earnings/(loss) per share	8						
Basic		6.75p		(31.85)p	7.52p		10.07p
Diluted		6.74p		(31.85)p	7.48p		10.01p
Dividends per share				0.425p			1.252p

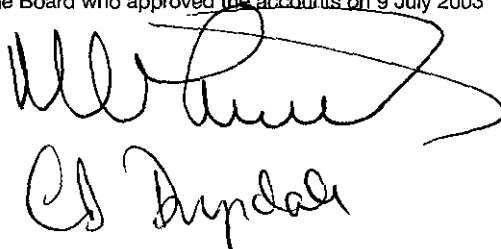
Balance sheets
at 30 April 2003

		Group		Company	
	Notes	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Intangible assets	10	53,364	100,906	-	-
Tangible assets	11	287,236	250,965	484	570
Investments	12				
Subsidiaries		-	-	254,559	221,003
IME joint venture		34,116	28,096	48,266	44,370
- share of gross assets		74,713	60,457		
- share of gross liabilities		(54,913)	(42,781)		
- share of net assets		19,800	17,676		
- loans to joint venture		14,316	10,420		
Own shares		12	14	12	14
Other		250	250	-	-
		374,978	380,231	303,321	265,957
Current assets					
Stocks	13	1,336	1,824	-	-
Development in progress	13	19,200	16,312	-	-
Debtors	14	13,988	8,757	91,857	69,218
Investments	15	709	-	-	-
Cash at bank and in hand		13,396	4,093	11,046	12,891
		48,629	30,986	102,903	82,109
Creditors: amounts falling due within one year	16	(41,705)	(54,796)	(17,223)	(77,767)
Net current assets/(liabilities)		6,924	(23,810)	85,680	4,342
Total assets less current liabilities		381,902	356,421	389,001	270,299
Creditors: amounts falling due after more than one year	17	(216,848)	(136,278)	(216,020)	(61,360)
Provisions for liabilities and charges	18	(6,811)	(4,475)	-	(98)
Net assets		158,243	215,668	172,981	208,841
Capital and reserves					
Called up share capital	19	18,211	18,131	18,211	18,131
Share premium account	20	130,427	130,148	130,427	130,148
Special reserve	20	-	-	3,134	3,134
Other reserve	20	27,226	27,226	49,708	49,708
Profit and loss account	20	(17,621)	40,163	(28,499)	7,720
Equity shareholders' funds		158,243	215,668	172,981	208,841

Signed on behalf of the Board who approved the accounts on 9 July 2003

NP Smith
Chairman

CD Drysdale
Finance Director



Group cash flow statement
for the year ended 30 April 2003

	Notes	2003 £'000	2002 £'000
Cash flow from operating activities	25(a)	25,883	31,490
Returns on investments and servicing of finance	25(b)	(12,485)	(6,854)
Taxation paid		(4,561)	(5,061)
Capital expenditure and financial investment		(24,331)	(19,109)
Proceeds from sale of investments	25(b)	2	30,155
Development on behalf of joint venture		(2,888)	(15,688)
Loans (made to)/repaid by joint venture		(3,897)	5,712
Capital expenditure	25(b)	(17,548)	(39,288)
Acquisitions and disposals	25(b)	(16,421)	2,452
Equity dividends paid		(2,315)	(2,214)
Cash (outflow)/inflow before financing		(34,230)	704
Financing:			
– issue of shares		359	340
– increase/(decrease) in debt and lease financing	25(b)	52,408	(10,179)
Increase/(decrease) in cash in the year		18,537	(9,135)

Reconciliation of net cash flow to movement in net debt
for the year ended 30 April 2003

	Notes	2003 £'000	2002 £'000
Increase/(decrease) in cash in the year		18,537	(9,135)
Cash (inflow)/outflow from change in debt and lease financing		(52,408)	10,179
Change in net debt resulting from cash flows		(33,871)	1,044
Loans and finance leases (acquired)/divested with subsidiary undertakings		(8,274)	2,219
Non-cash movements		(10,989)	(63)
Movement in net debt in the year		(53,134)	3,200
Net debt at 1 May 2002		(153,151)	(156,351)
Net debt at 30 April 2003	25(c)	(206,285)	(153,151)

Statement of total recognised gains and losses
for the year ended 30 April 2003

	2003 £'000	2002 £'000
Group (loss)/profit for the year	(58,907)	17,764
Share of profit in joint venture for the year	1,038	445
(Loss)/profit for the year	(57,869)	18,209
Currency translation differences on foreign currency net investments	859	46
Total recognised gains and losses in the financial year	(57,010)	18,255
Prior year adjustment for deferred tax (note 6)	-	(3,283)
Total recognised gains and losses since last annual report	(57,010)	14,972

Reconciliation of movements in shareholders' funds
for the year ended 30 April 2003

	2003 £'000	2002 £'000
(Loss)/profit for the year	(57,869)	18,209
Other recognised gains and losses in the year	859	46
Shares issued	359	378
Dividends	(774)	(2,270)
Net (reduction)/addition to shareholders' funds	(57,425)	16,363
Opening shareholders' funds as previously stated	215,668	202,588
Prior year adjustment for deferred tax (note 6)	-	(3,283)
Opening shareholders' funds as restated	215,668	199,305
Closing shareholders' funds	158,243	215,668

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts comprise a consolidation of the accounts of the company and its subsidiary undertakings. The results of undertakings acquired or disposed of are consolidated from or to the dates when control passes to or from the company.

Goodwill

On the acquisition of a subsidiary undertaking, fair values are attributed to the net assets acquired and the consideration to be paid. Goodwill, which represents the difference between the fair values of consideration and net assets has been taken to reserves in respect of acquisitions prior to 30 April 1998. In the event of any future disposal or closure of the acquired businesses, goodwill taken to reserves will be expensed in the profit and loss account.

Positive goodwill relating to acquisitions after 1 May 1998 is shown in the balance sheet as an intangible asset and amortised evenly over its estimated useful economic life, which will not exceed 20 years. In addition to systematic amortisation, the book value of goodwill is written down to its recoverable amount when any impairment is identified.

Joint ventures

The group's interest in joint ventures, which are accounted for under the gross equity method, comprise investments which are held for the long term and are jointly controlled by the group and another entity under a formal contractual arrangement. The group's share of the results of joint ventures is included in the consolidated profit and loss account. In the consolidated balance sheet, investments in joint ventures is included at the group's share of net assets of the joint ventures together with any goodwill on acquisition less related amortisation and impairment write downs. Loans made to joint ventures which are of a long term nature are included within investments. The consolidated cash flow statement includes only dividends received from and certain financing transactions relating to joint ventures.

Turnover

Turnover represents the total amount receivable, excluding value added tax, for goods supplied and services rendered to customers outside of the group.

Tangible fixed assets and depreciation

Depreciation is provided to write off tangible fixed assets, other than freehold land, over their estimated useful lives as follows:

Freehold buildings	50 years
Long leasehold premises	50 years
Short leasehold premises	Period of lease
Plant and equipment	2 – 20 years
Vehicles, fixtures and computers	3 – 10 years

In addition to systematic depreciation, where there is evidence of impairment, fixed assets are written down to recoverable amount with the write down being charged to the profit and loss account.

The cost of buildings include all capital spend incurred in bringing the property to an appropriate condition for operational use. All other costs are classed as repairs and maintenance and are written off to the profit and loss account as incurred.

Investments and investment income

Investments in subsidiary and joint venture undertakings are included at cost less any provision for impairment necessary to reduce book value to recoverable amount. Other investments are included at cost less any provision for permanent diminution in value.

Dividend income from group companies is included in the profit and loss account of the company on a receivable basis.

Stocks and assets held for resale

Stocks and assets held for resale are valued at the lower of cost and net realisable value after making allowance for obsolete and slow-moving items. Cost includes material and, where appropriate, direct labour and production overheads.

Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are accounted for as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Lease payments are treated as consisting of a capital element and a finance charge, the capital element reducing the obligation to the lessor and the finance charge being written off to the profit and loss account over the period of the lease in proportion to the capital amount outstanding. Depreciation is charged over the shorter of the estimated useful life and the lease period.

All other leases are accounted for as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using tax rates in force at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities recognised have not been discounted.

In accordance with FRS 19, deferred tax is not provided for fair value adjustment gains to fixed assets and is also not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Provision is made for UK or foreign tax arising on the distribution to the UK of retained profits of overseas subsidiary undertakings where dividends have been recognised as receivable.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' service.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at closing rates of exchange. Exchange differences arising from the treatment of net investments in foreign subsidiaries and related foreign currency loans are taken directly to reserves. The trading results of foreign subsidiaries are translated into sterling using the average exchange rate for the year and the difference in relation to closing rates is taken to reserves. All other currency differences are taken to the profit and loss account.

Notes to the financial statements

1. Segmental analysis

	Turnover		EBITDA*		Total operating profit/(loss)		Operational net assets	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000
By activity:								
Continuing operations:								
Personal storage	26,034	20,916	10,599	9,486	8,014	7,589	119,916	85,210
Serviced business space	56,068	53,575	21,170	20,904	17,480	18,160	196,977	248,736
Records management	-	-	7,675	5,122	5,568	3,546	34,116	28,096
Property disposals	-	792	-	-	-	162	-	-
Goodwill amortisation and exceptionals	-	-	-	-	(69,776)	(7,091)	-	-
	82,102	75,283	39,444	35,512	(38,714)	22,366	351,009	362,042
Discontinued operations:								
Other	-	2,122	(10)	(84)	(10)	(89)	-	-
	82,102	77,405	39,434	35,428	(38,724)	22,277	351,009	362,042

*Earnings before interest, taxes, depreciation, amortisation and exceptionals.

Goodwill amortisation and exceptionals comprise goodwill amortisation of £7.7 million and exceptional items of £62.1 million charged against operating profit (see note 2).

Operational net assets are net assets excluding own shares, current and other fixed asset investments, development in progress, cash, borrowings, current and deferred tax and dividends payable.

Turnover all originated in the United Kingdom with the exception of £2.75 million (2002: £2.3 million) which was supplied in other European countries. Turnover by destination was as follows:

	2003 £'000	2002 £'000
United Kingdom	79,352	75,143
Other Europe	2,750	2,262
	82,102	77,405

Total operating profit before goodwill amortisation all arose in the United Kingdom with the exception of losses of £0.6 million (2002: £0.7 million) which were generated in other European countries.

Further analysis of total operating profit after goodwill amortisation and exceptionals is as follows:

	2003				2002		
	Continuing operations £'000	Acquisitions £'000	Dis-continued activities £'000	Total £'000	Continuing activities £'000	Dis-continued activities £'000	Total £'000
Turnover	79,387	2,715	-	82,102	75,283	2,122	77,405
Cost of sales	(44,678)	(1,552)	-	(46,230)	(40,842)	(1,555)	(42,397)
Gross profit	34,709	1,163	-	35,872	34,441	567	35,008
Administrative expenses	(9,973)	(405)	(10)	(10,388)	(8,530)	(656)	(9,186)
Exceptional charges (note 2)	(62,106)	-	-	(62,106)	-	-	-
Goodwill amortisation	(5,728)	(348)	-	(6,076)	(5,726)	-	(5,726)
Operating (loss)/profit	(43,098)	410	(10)	(42,698)	20,185	(89)	20,096
Share of IME operating profit:							
Before goodwill amortisation	5,568	-	-	5,568	3,546	-	3,546
Goodwill amortisation	(1,594)	-	-	(1,594)	(1,365)	-	(1,365)
Total operating (loss)/profit	(39,124)	410	(10)	(38,724)	22,366	(89)	22,277

2. Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

	2003 £'000	2002 £'000
Goodwill amortisation	6,076	5,726
Depreciation – on owned assets	6,275	4,646
Operating lease rentals – land and buildings	10,891	10,437
– plant, machinery and other	275	239
Auditors' remuneration – audit work	85	62

During the year, the group's auditors were paid £82,000 (2002: £22,000) for services other than provided as auditors.

	2003 £'000
Exceptional charges against operating profit comprise (2002: £nil):	
Provision for impairment and exceptional costs of disposal relating to SBS (see note 3)	61,746
Director termination and associated costs	360
	62,106

3. Provision for impairment and exceptional costs of disposal

The group has announced the agreement for the disposal of the serviced business space division for consideration of £189.0 million (gross). Further details on the contribution of this business to the group's results are given in note 1 to the financial statements. The provision for impairment and exceptional costs of disposal comprises £54.0 million for impairment of goodwill and £7.7 million for disposal expenses and associated restructuring costs.

4. Profit on disposal of operations and investment

The trade and assets of Homeware Brands were sold on 30 November 2001 at book value. Its contribution to the group's results in the previous year are shown under discontinued activities in note 1 to the financial statements. Imex Holland, which comprised two operating sites, was sold on 4 January 2002 at a profit of £1.5 million. In the year to 30 April 2002 it contributed turnover of £0.4 million and operating profit of £0.1 million.

The group's 20% interest in Workspace Group PLC was sold on 21 May 2001 and generated a profit of £9.6 million.

5. Net interest payable

	2003 £'000	2002 £'000
On bank loans and overdrafts	11,952	8,472
On deferred acquisition loan notes	265	372
Other financing costs	–	4
Share of IME joint venture interest	1,652	1,916
Interest payable and similar charges	13,869	10,764
Bank and other interest receivable	(1,059)	(370)
Interest receivable from IME joint venture	(473)	(869)
	12,337	9,525
Exceptional interest costs and similar charges	4,365	–
Net interest payable	16,702	9,525

The exceptional interest costs and similar charges primarily relate to the cost of restructuring the funding of the group as part of the process of disposing of the SBS division.

6. Taxation

The tax charge for the year comprises:

	2003 £'000	2002 £'000
Current tax		
UK corporation tax at 30%	481	5,192
UK prior year	(718)	(707)
Total current tax	(237)	4,485
Deferred tax		
Origination and reversal of timing differences	2,984	1,413
Group tax charge	2,747	5,898
Share of IME joint venture tax	1,284	841
Total tax charge	4,031	6,739

The UK current tax charge includes a credit of £2.4 million in relation to items included within exceptional charges which qualify for corporation tax relief (2002: charge of £0.5 million relating to the profit on disposal of investment).

The total current tax charge for the year varied from the standard rate of corporation tax in the UK for the following reasons:

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before taxation	(53,838)	24,948
Standard rate of UK corporation tax at 30%	(16,151)	7,484
Effects of:		
Goodwill impairment and exceptional costs	17,413	–
Deducting joint venture tax (charge)/credit at the standard rate	(1,175)	(788)
Goodwill amortisation for which no tax relief is available	2,301	2,127
Capital losses crystallised	(135)	(2,394)
Capital allowances in excess of depreciation	(2,041)	(1,253)
Utilisation of tax losses	(788)	(107)
Other timing differences	(155)	(53)
Adjustments to tax charge in respect of prior periods	(718)	(707)
Unrelieved overseas trading losses	198	140
Other permanent differences	1,014	36
Actual total current tax (credit)/charge	(237)	4,485

A detailed review of the tax position of the group's properties was undertaken in the period by an independent firm of property specialists who have determined that there would be no unprovided liability to tax if the properties were sold at their balance sheet values due to the availability of indexation relief.

FRS19 (Accounting for deferred tax) was adopted with effect from 1 May 2000. As a result of the change of accounting policy a prior year adjustment was made during the previous year to 30 April 2002. The group deferred tax provision in the balance sheet was increased by £2.5 million and the share of IME joint venture net assets were reduced by £0.8 million resulting in a total reduction in shareholders' funds of £3.3 million.

7. Dividends

	2003 £'000	2002 £'000
Interim paid 0.425p per ordinary share (2002: 0.402p)	774	729
Final proposed nil per ordinary share (2002: 0.85p)	-	1,541
	774	2,270

8. Earnings per share

Basic (loss)/earnings per share are calculated on loss after tax of £57.9 million (2002: £18.2 million profit after tax), divided by 181.7 million ordinary shares (2002: 180.8 million ordinary shares) being the weighted average number of shares in issue during the year. Diluted earnings per share are calculated after allowing for the dilutive effect of conversion into ordinary shares of the weighted average number of share options outstanding during the year. The number of shares used for the diluted earnings per share calculation was 181.9 million (2002: 181.9 million). The weighted average number of shares used to calculate earnings per share excludes shares held by the Quest (see note 12).

Basic earnings per share before goodwill amortisation and exceptionals has been separately disclosed on the face of the profit and loss account to facilitate comparison of the underlying performance of the group. The calculation uses the same weighted average number of shares in issue as for the basic earnings per share but reflects the following items:

	2003		2002	
	Profit/ (loss) after tax £'000	Earnings per share p	Profit after tax £'000	Earnings per share p
As for basic earnings per share	(57,869)	(31.85)	18,209	10.07
Goodwill amortisation	7,670	4.22	7,091	3.92
Exceptionals (after tax)	62,462	34.38	(11,696)	(6.47)
Basic earnings per share before goodwill amortisation and exceptionals	12,263	6.75	13,604	7.52

Diluted earnings per share before goodwill amortisation and exceptionals similarly reflects the above adjustments but uses the same weighted average number of shares in issue as for diluted earnings per share.

9. Employees

The average monthly number of persons employed by the group was as follows:

	2003 Number	2002 Number
Personal storage	163	148
Serviced business space	348	337
Other	24	23
	535	508

Employment costs relating to the above were:

	2003 £'000	2002 £'000
Wages and salaries	10,796	9,322
Social security costs	1,078	968
Pension costs	432	392
	12,306	10,682

10. Intangible assets

	Goodwill £'000
Cost	
At 1 May 2002	114,615
Arising on acquisition (Note 21)	11,511
Exchange movements	1,099
At 30 April 2003	127,225
Amortisation	
At 1 May 2002	13,709
Charge for the year	6,076
Impairment charge for the year (SBS)	54,041
Exchange movements	35
At 30 April 2003	73,861
Net book value	
At 30 April 2003	53,364
At 30 April 2002	100,906

11. Tangible assets

	Group			Company		
	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost						
At 1 May 2002	250,801	29,502	280,303	528	323	851
Arising on acquisitions	21,594	1,464	23,058	-	-	-
Exchange movements	30	558	588	-	-	-
Additions	14,630	9,902	24,532	-	14	14
Disposals	(4,477)	(510)	(4,987)	-	(148)	(148)
At 30 April 2003	282,578	40,916	323,494	528	189	717
Depreciation						
At 1 May 2002	15,102	14,236	29,338	105	176	281
Arising on acquisitions	418	609	1,027	-	-	-
Exchange movements	8	68	76	-	-	-
Charge for the year	3,424	2,851	6,275	13	33	46
Disposals	(128)	(330)	(458)	-	(94)	(94)
At 30 April 2003	18,824	17,434	36,258	118	115	233
Net book value						
At 30 April 2003	263,754	23,482	287,236	410	74	484
At 30 April 2002	235,699	15,266	250,965	423	147	570

Land and buildings at cost comprise:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Land	96,000	97,869	222	222
Freehold buildings	147,361	115,113	222	222
Long leasehold	20,772	20,632	-	-
Short leasehold	18,445	17,187	84	84
	282,578	250,801	528	528

The net book value of the group's plant, equipment and vehicles does not include any assets held under finance leases.

12. Investments

	Group				Company	
	Other	Own shares	IME joint venture as restated	Subsidiary undertakings	IME joint venture	Own shares
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2002	250	14	28,096	221,003	44,370	14
Additions	-	-	-	50,346	-	-
Disposals	-	(2)	-	-	-	(2)
Loans made to IME	-	-	3,896	-	3,896	-
Share of profit retained by joint venture	-	-	1,038	-	-	-
Impairment provision against SBS subsidiaries	-	-	-	(16,790)	-	-
Exchange movements	-	-	1,086	-	-	-
At 30 April 2003	250	12	34,116	254,559	48,266	12

The group's other investment, which is held at cost, represents a 15% equity interest amounting to £0.25 million in Citib@se plc, an unlisted company, which operates in England in the provision of serviced office space.

The company operates a Qualifying Employee Share Ownership Trust ("Quest") which holds shares issued by the company in relation to the group's employee share save schemes. At 30 April 2003 the number of shares held by the Quest was 26,411 (2002: 102,290) and are included above at the price at which employees can subscribe for the shares on exercise of their options. Dividends in respect of these shares have been waived whilst being held by the Quest. During the year the Quest disposed of 75,879 shares on exercise of employee share options.

The group's investment in its IME joint venture comprises its share of their net assets of £19.8 million (2002: £17.7 million) and loans of £14.3 million (2002: £10.4 million).

The group's principal operating subsidiaries, all of which are wholly owned, are:

Company	Activity	Country of operation and registration
Spaces Personal Storage Limited	Personal storage	UK
Une Pièce en Plus S.A.	Personal storage	France
Imex Spaces Limited	Serviced business space	UK
InShops Centres Limited	Serviced business space	UK
Synex Network Services Limited	Serviced business space	UK

On 4 January 1999 Iron Mountain Europe Limited, a company registered in the UK, became a 49.9% owned joint venture undertaking following the disposal of shares to Iron Mountain Incorporated. The principal operating subsidiaries of the joint venture, all of which are wholly owned and provide records and information management services are:

Company	Country of operation and registration
Iron Mountain (UK) Limited	UK
Datavault Limited	UK
Archive Services Limited	UK
Iron Mountain Ireland Limited	Eire
Memogarde S.A.	France
Archivage Actif Groupe Iron Mountain S.A.S.	France
Datavault S.A.	Spain
Iron Mountain Espana S.A.	Spain
Iron Mountain Deutschland GmbH	Germany

12. Investments continued

Further details of the group's share (49.9%) of the joint venture's net assets as at 30 April 2003 and its share of profits for the year then ended are given below:

	2003 £'000	2002 £'000
Fixed assets	63,794	50,309
Current assets	10,919	10,148
Share of gross assets	74,713	60,457
Liabilities due within one year	(22,968)	(19,551)
Liabilities due after more than one year	(31,945)	(23,230)
Share of gross liabilities	(54,913)	(42,781)
Share of net assets	19,800	17,676
Share of net debt included in net assets above	(19,400)	(13,044)

The share of net debt disclosed above excludes loans due to the joint venture partners.

	2003 £'000	2002 £'000
Turnover	36,238	27,705
EBITDA	7,675	5,122
Profit before tax	2,322	1,286
Taxation	(1,284)	(841)
Profit after tax	1,038	445

During the year the group charged IME a management fee of £48,000 (2002: £48,000), property rentals of £1.8 million (2002: £0.6 million) and had interest receivable of £0.5 million (2002: £0.9 million). All transactions were undertaken on an arm's length basis.

13. Stocks and development in progress

	2003 £'000	2002 £'000
Stocks comprise:		
Work in progress	941	1,678
Finished goods	395	146
	1,336	1,824

The development in progress of £19.2m comprises a new records management facility for IME in SE London. This was sold after the year end to a third party at cost and leased back to IME on an arm's length basis.

14. Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	4,742	3,290	-	-
Amounts owed by subsidiary undertakings	-	-	91,235	68,819
Net investment in finance lease and hire purchase agreements	63	86	-	-
Corporation tax	868	-	-	-
Deferred taxation (note 18)	-	-	186	115
Other debtors	1,866	1,082	38	22
Prepayments and accrued income	6,449	4,299	398	262
	13,988	8,757	91,857	69,218

Group debtors falling due after more than one year amounted to £0.1 million (2002: £0.1 million).

15. Current asset investments

Current asset investments represent short term money market investments that are immediately realisable.

16. Creditors: amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts	882	21,403	-	2,111
Deferred acquisition loan notes	3,042	-	3,042	-
Trade creditors	13,650	10,193	1,509	143
Amounts owed to subsidiary undertakings	-	-	2,893	70,714
Social security and other taxes	1,456	1,300	123	1,068
Corporation tax	-	3,914	-	-
Other creditors	1,159	1,811	12	570
Accruals and deferred income	21,516	14,634	9,644	1,620
Proposed dividend	-	1,541	-	1,541
	41,705	54,796	17,223	77,767

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank loans and overdrafts	209,118	131,798	208,672	57,317
Deferred acquisition loan notes	7,348	4,043	7,348	4,043
Borrowings	216,466	135,841	216,020	61,360
Other creditors	382	437	-	-
	216,848	136,278	216,020	61,360

The above borrowings are repayable as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Between one and two years	5,364	62,781	5,000	28,503
Between two and five years	211,102	71,671	211,020	32,857
After five years	-	1,389	-	-
	216,466	135,841	216,020	61,360

The aggregate amount of all loans repayable by instalment, of which any instalment is due for repayment after five years is £nil (2002: £1.4 million) for the group and £nil (2002: £nil) for the company. These were bank loans which were secured on certain property assets of the group and attracted interest at LIBOR plus a margin of 1.25%.

18. Provisions for liabilities and charges

	At 1 May 2002 £'000	Charged to profit and loss account £'000	Paid in the year £'000	Arising on acquisitions £'000	At 30 April 2003 £'000
Group					
Pensions	131	120	(251)	–	–
Deferred tax	4,344	2,984	–	(517)	6,811
	4,475	3,104	(251)	(517)	6,811
Company					
Pensions	98	120	(218)	–	–

The group's deferred tax provision comprises:

	2003 £'000	2002 £'000
Accelerated capital allowances	8,933	6,668
Short-term timing differences	(596)	(822)
Losses	(1,526)	(1,502)
	6,811	4,344

The company's deferred tax asset (note 14) comprises accelerated capital allowances and short term timing differences.

19. Called up share capital

	2003		2002	
	Number 000's	£'000	Number 000's	£'000
Authorised				
Ordinary shares of 10p each	200,000	20,000	200,000	20,000
Issued and fully paid				
Ordinary shares of 10p each	182,108	18,211	181,311	18,131

The change in the issued share capital during the year arose as follows:

	Number 000's	£'000
At 1 May 2002	181,311	18,131
Issued on exercise of employee share options	797	80
At 30 April 2003	182,108	18,211

During the year the group operated six share option schemes: The Mentmore Sharesave Scheme 1992 ("Sharesave"), The Mentmore 1994 and 1996 Executive Share Option Schemes ("1994 Scheme" and "1996 Scheme" respectively), The Mentmore Senior Executive Share Option Scheme ("1999 Scheme"), The Iron Mountain Europe Approved Executive Share Option Plan ("IME Approved") and The Iron Mountain Europe Unapproved Executive Share Option Plan ("IME Unapproved"). Options over 3,102,031 ordinary shares in the company lapsed in the year without being exercised. Options were exercised in respect of 873,806 shares during the year (including those satisfied by the Quest).

19. Called up share capital *continued*

The total number of Mentmore shares under option in these schemes at 30 April 2003 was 11,107,468 (2002: 12,439,506 shares) as follows:

Scheme	Date of grant	Normal date of exercise	Option price	Number of shares
Sharesave	1.2.2001	1.3.2004 – 31.8.2004	172.0p	30,170
	1.2.2001	1.3.2006 – 31.8.2006	172.0p	28,250
	25.1.2002	1.3.2005 – 31.8.2005	108.0p	188,206
	25.1.2002	1.3.2007 – 31.8.2007	108.0p	56,997
1994 Scheme	2.8.1998	2.8.2001 – 1.8.2008	91.3p	53,715
	15.12.1999	15.12.2002 – 14.12.2009	172.7p	226,513
	14.12.2000	14.12.2003 – 13.12.2010	204.6p	324,377
	2.10.2001	2.10.2004 – 1.10.2011	120.3p	24,937
	18.1.2002	18.1.2005 – 17.1.2012	138.4p	450,764
	14.1.2003	14.1.2006 – 13.1.2013	81.75p	36,697
1996 Scheme	2.8.1998	2.8.2001 – 1.8.2005	91.3p	197,285
	15.12.1999	15.12.2002 – 14.12.2006	172.7p	52,980
	14.12.2000	14.12.2003 – 13.12.2007	204.6p	213,305
	12.4.2001	12.4.2005 – 11.4.2008	112.8p	124,114
	2.10.2001	2.10.2004 – 1.10.2008	120.3p	58,187
	18.1.2002	18.1.2005 – 17.1.2009	138.4p	543,031
	14.1.2003	14.1.2006 – 13.1.2010	81.75p	463,303
1999 Scheme	4.1.1999	4.1.2004 – 3.1.2009	115.0p	3,563,523
	20.9.1999	20.9.2004 – 19.9.2009	143.166p	2,200,000
	18.1.2002	18.1.2007 – 17.1.2012	134.5p	580,000
	15.1.2003	15.1.2008 – 14.1.2013	78.83p	1,200,000
IME Approved	8.10.2001	8.10.2004 – 7.10.2011	89.8p	327,984
	4.9.2002	4.9.2005 – 3.9.2012	104.0p	28,788
	14.01.2003	14.1.2006 – 13.01.2013	81.75p	91,687
IME Unapproved	8.10.2001	8.10.2004 – 7.10.2008	89.8p	17,258
	4.9.2002	4.9.2005 – 3.9.2009	104.0p	7,197
	14.1.2003	14.01.2006 – 13.1.2010	81.75p	18,200

20. Reserves

	Share premium account £'000	Special reserve £'000	Other reserve £'000	Profit and loss account £'000
Group				
At 1 May 2002	130,148	–	27,226	40,163
Shares issued in year	279	–	–	–
Loss for the year transferred to reserves	–	–	–	(58,643)
Exchange movements	–	–	–	859
At 30 April 2003	130,427	–	27,226	(17,621)
Company				
At 1 May 2002	130,148	3,134	49,708	7,720
Shares issued in year	279	–	–	–
Loss for the year transferred to reserves	–	–	–	(36,226)
Exchange movements	–	–	–	7
At 30 April 2003	130,427	3,134	49,708	(28,499)

At 30 April 2003 the cumulative amount of goodwill written off against group reserves amounted to £25.6 million (2002: £25.6 million). As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for the company. The loss attributable to shareholders, dealt with in the accounts of the company was £35.5 million (2002: profit of £3.5 million).

The special reserve arises from the capital reduction approved by shareholders on 4 October 1995. It comprises cancelled deferred shares of £2.4 million, cancelled share premium of £3.2 million and the company's negative profit and loss account reserves at 31 March 1995 of £2.5 million. The reserve, which will not be available for distribution in the foreseeable future, was utilised by the group in 1996 to write off part of the goodwill arising on the acquisition of Spaces Personal Storage Limited.

21. Acquisitions

During the year the group acquired Aardvark Self Storage and Rent A Space. Goodwill on acquisition arose as follows:

	Book value prior to acquisition £'000	Conformity of accounting policies £'000	Revaluations £'000	Provisional fair value of net assets acquired £'000
Fair value of liabilities acquired				
Tangible fixed assets	12,418	–	9,612	22,030
Debtors (including deferred tax of £517,000)	1,318	–	–	1,318
Borrowings (including overdrafts of £947,000)	(9,221)	–	–	(9,221)
Other creditors	(2,381)	(160)	–	(2,541)
	2,134	(160)	9,612	11,586
Fair value of consideration				
Deferred acquisition loan notes				7,603
Cash and expenses of acquisition				15,494
				23,097
Goodwill arising on acquisition				11,511

In accordance with FRS6 the group has disclosed the fair value of the assets acquired as provisional. The acquisitions did not have any material impact on the results of the group to 30 April 2003.

22. Commitments and contingent liabilities

(a) Operating lease commitments

The group was committed to make the following payments over the forthcoming 12 months in respect of operating leases which expire:

	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	80	17	–	8
Between one and two years	–	82	80	17
Between two and five years	1,005	174	910	213
Over five years	10,223	–	9,870	–
	11,308	273	10,860	238

(b) Contingent liabilities

The group had no contingent liabilities on documentary credits at 30 April 2003 (2002: £nil). The company and certain of its subsidiary undertakings have entered into cross-guarantee agreements in relation to banking facilities made available to other group companies. At 30 April 2003 the company's contingent liability under these was £nil (2002: £94 million).

23. Pensions

In preparing the financial statements for the current year, the group has adopted the transitional arrangements of FRS 17 "Retirement Benefits". As in previous years, expenses have been charged under SSAP 24.

a) Pension disclosures under SSAP 24

The group's pension costs for the year ended 30 April 2003 are analysed below:

	2003 £'000	2002 £'000
Other pension costs comprise:		
Regular cost	38	30
Amortisation of experience deficit	82	70
Defined benefit scheme	120	100
Defined contribution schemes	312	292
Amount of the pension charge under SSAP 24	432	392

There are no outstanding contributions in respect of the group's defined contribution schemes at 30 April 2003 or 2002.

The group's pension costs for its defined benefit scheme are determined with the advice of independent qualified actuaries. Triennial actuarial valuations of the pension scheme are performed by a qualified actuary using the projected unit method. The most recent formal actuarial review of the defined benefit pension scheme was at 30 April 2003. The market value of the scheme assets at that date was £2.3m and the level of funding was 83%. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out of practice. The main actuarial assumptions used in the valuation were:

Investment returns	7.5% pa
Salary increases	4.1% pa
Future pension increases	2.6% pa

The company is eliminating the deficit by increasing its contributions in the seven year period to 30 April 2010. The deficit in the scheme is being recognised as a variation from regular cost over seven years in accordance with actuarial advice. Provisions include £nil (2002: £131,000) in respect of the deficit of accumulated pensions costs over the amounts funded.

23. Pensions continued**(b) Supplementary pensions disclosures under FRS 17**

The profit and loss account charge for pension costs, the accounting policies and the disclosures above are given on the basis of Statement of Standard Accounting Practice 24. SSAP 24 is going to be replaced by Financial Reporting Standard 17. The additional disclosures that follow are given in preparation for FRS 17 being adopted, relate only to the defined benefit scheme and omit certain comparative figures in accordance with the transitional rules of FRS 17.

The most recent actuarial valuation of the group's defined benefit scheme was carried out as at 30 April 2003 by independent actuaries, using the projected unit method, to assess the scheme's liabilities as at 30 April 2003. The scheme assets are stated at their market value at 30 April 2003. It should be noted that the methodology and assumptions prescribed for the purposes of FRS 17 mean that the disclosures will be inherently volatile, varying greatly according to investment market conditions at each accounting date.

(i) Contributions

The defined benefit scheme employers' contributions for 2003 were £38,000 (2002: £30,000) and the employers' contribution rate has been fixed at £10,045 per month until 30 April 2010. The additional contributions in respect of the pension scheme actuarial deficit are in accordance with the recommendations of the scheme actuary.

(ii) Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on a FRS 17 basis were:

	At 30 April 2003 %	At 30 April 2002 %
Rate of increase in salaries	4.1	4.3
Rate of increase in pensions in payment	2.6	2.8
Discount rate	5.5	5.9
Inflation assumption	2.6	2.8

(iii) FRS 17 balance sheet information

The fair value of the scheme's assets which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 30 April 2003 £'000	Long-term rate of return expected at 30 April 2003 %	Value at 30 April 2002 £'000	Long-term rate of return expected at 30 April 2002 %
Equities and property	944	7.5	1,007	8.0
Fixed interest	1,163	5.0	1,169	5.5
Cash and other	154	1.5	72	5.0
Fair value of assets	2,261		2,248	
Present value of scheme liabilities	(2,723)		(2,615)	
Actuarial deficit	(462)		(367)	
Deferred tax at 30%	139		110	
Actuarial deficit after tax	(323)		(257)	

23. Pensions continued

(d) Net assets and profit and loss reserve

If the group's pension scheme deficit had been recognised in the group's financial statements, the net assets and profit and loss reserve of the group and company would be as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Net assets				
Net assets as reported on SSAP 24 basis	158,243	215,668	172,981	208,841
Add back SSAP 24 pensions creditor (net of deferred tax)	-	92	-	92
FRS 17 pension liability (net of deferred tax)	(323)	(257)	(323)	(257)
Net assets on FRS 17 basis	157,920	215,503	172,658	208,676
Profit and loss reserve				
Profit and loss reserve as reported on SSAP 24 basis	(17,621)	40,163	(28,499)	7,720
FRS 17 pension liability (net of deferred tax)	(323)	(257)	(323)	(257)
Profit and loss reserve on FRS 17 basis	(17,944)	39,906	(28,822)	7,463

(e) Analysis of the amount that would have been charged to operating profit

	2003 £'000
Current service cost	38
Past service cost	-
Total operating charge	38

(f) Analysis of the amount that would have been credited to other finance income

	2003 £'000
Expected return on pension scheme assets	151
Interest on pension scheme liabilities	(150)
	1

(g) Analysis of the amount that would have been recognised in statement of total recognised gains and losses ("STRGL")

	2003 £'000
Actual return less expected return on pension scheme assets	(203)
Experience gains and losses arising on the scheme liabilities	(1)
Changes in assumptions underlying the present value of the scheme liabilities	(100)
Actuarial loss recognised in STRGL	(304)

23. Pensions continued

(h) Movement in pension scheme deficit during the year

	2003 £'000
Deficit in scheme at beginning of year	(367)
Current service costs	(38)
Contributions	246
Past service costs	-
Other finance income	1
Actuarial loss	(304)
Deficit in scheme at end of year	(462)

it should be noted that the scheme is closed to new entrants and so the use of the projected unit valuation method required by FRS 17 means that the current service cost is likely to increase as the last member approaches retirement.

(i) History of experience gains and losses

	2003
Difference between expected and actual return on scheme assets:	
Amount (£'000)	(203)
Percentage of scheme assets (%)	(9)
Experience gains and losses on scheme liabilities:	
Amount (£'000)	(1)
Percentage of the present value of the scheme liabilities (%)	-
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	(304)
Percentage of the present value of the scheme liabilities (%)	(11)

24. Financial instruments

The major financial risks facing the group, treasury policy and the use of financial instruments are discussed in the financial review on pages 17 and 18. The group has taken advantage of the exemption under FRS 13 to exclude short term debtors and creditors from the following disclosures.

Currency and interest rate risk profile of financial assets and liabilities

After taking into account interest rate swaps the currency and interest rate profile of the group's financial assets and liabilities was:

Financial assets	Total £'000	Floating rate £'000	Non- interest bearing £'000
At 30 April 2003:			
Sterling	28,762	28,512	250
Euro	40	40	-
	28,802	28,552	250
At 30 April 2002:			
Sterling	14,918	14,668	250
Euro	15	15	-
	14,933	14,683	250

Financial assets comprise: cash £13.4 million (2002: £4.1 million), loans to joint ventures £14.3 million (2002: £10.4 million), other fixed asset investments £0.3 million (2002: £0.3 million), current asset investments £0.7 million (2002: £nil) and long-term debtors £0.1 million (2002: £0.1 million). Cash at bank and in hand bears interest at prevailing market rates. Loans to the joint venture bears interest at rates agreed between the joint venture partners and during the year ranged from 3.6% to 4.2%.

It is not possible to compute the weighted average period until maturity for financial assets on which no interest is paid.

Financial liabilities	Total £'000	Non- interest bearing £'000	Floating rate £'000	Fixed rate £'000	Weighted average fixed rate %	Weighted average period for which rate fixed Years
At 30 April 2003:						
Sterling	219,062	2,000	217,062	-	-	-
Euro	1,327	-	1,327	-	-	-
	220,389	2,000	218,389	-	-	-
At 30 April 2002:						
Sterling	156,298	-	146,298	10,000	7.05	0.56
Euro	946	-	946	-	-	-
	157,244	-	147,244	10,000	-	-

Financial liabilities comprise borrowings of £220.4 million. The weighted average period until maturity for financial liabilities on which no interest is paid is 3 years (2002: none). Floating rate liabilities bear interest based on LIBOR with the exception of £75 million which is subject to an interest rate collar which caps LIBOR at 7.26%, has a floor of 5.50% and which expires in May 2004.

24. Financial instruments continued**Maturity of financial liabilities**

The maturity of financial liabilities was as follows:

	2003	2002
	Borrowings £'000	Borrowings £'000
Within one year	3,924	21,403
Between one and two years	5,364	62,781
Between two and five years	211,101	71,671
After five years	-	1,389
	220,389	157,244

Fair values of financial assets and liabilities

The book values and estimated fair values of financial assets and liabilities was as follows:

	2003		2002	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Other fixed asset investments	250	250	250	250
Financial assets excluding other fixed asset investments	28,552	28,552	14,697	14,697
Borrowings	(220,389)	(220,389)	(157,244)	(157,244)
Interest rate swaps	-	-	-	(866)

Other matters

At 30 April 2003 the group did not have outstanding any forward currency contracts and had £47 million undrawn amounts under its committed banking facilities. Currency gains and losses taken through the profit and loss account during the year were immaterial.

25. Cash flow statement

(a) Reconciliation of operating (loss)/profit to cash flow from operating activities

	2003 £'000	2002 £'000
Operating (loss)/profit	(42,698)	20,096
Goodwill amortisation and impairment	60,117	5,726
Depreciation charge	6,275	4,646
Loss on sale of tangible fixed assets	105	21
Decrease in stocks	488	320
(Increase)/decrease in debtors	(3,754)	613
Increase in creditors	5,481	98
Decrease in provisions for liabilities and charges	(131)	(30)
Net cash inflow from operating activities	25,883	31,490

(b) Analysis of cash flows for headings netted in cash flow statement

	2003 £'000	2002 £'000
Returns on investments and servicing of finance		
Interest received	283	370
Interest paid	(12,768)	(7,224)
Net cash outflow for returns on investments and servicing of finance	(12,485)	(6,854)
Proceeds from sale of investments		
Workspace Group PLC	-	29,947
Own shares	2	208
Net cash inflow for sale of investments	2	30,155
Capital expenditure		
Purchase of tangible fixed assets	(23,620)	(40,074)
Sale of tangible fixed assets	6,072	786
Net cash outflow for capital expenditure	(17,548)	(39,288)
Acquisitions and disposals		
Acquisitions (note 25d)	(15,474)	(38)
Bank (overdrafts)/cash acquired with acquisitions	(947)	3
Sale of Homeware Brands	-	658
Sale of Imex Holland	-	1,829
Net cash (outflow)/inflow for acquisitions and disposals	(16,421)	2,452
Financing		
Debt due within one year - increase in borrowings	-	4,134
Debt due beyond one year - increase in borrowings	219,233	7,191
Debt due within one year - repayment of borrowings	(13,985)	(4,200)
Debt due beyond one year - repayment of borrowings	(152,840)	(17,296)
Capital element of finance lease rental payments	-	(8)
Net cash inflow/(outflow) from financing	52,408	(10,179)

25. Cash flow statement continued**(c) Analysis of changes in net debt**

	At 1 May 2002 £'000	Cash flow £'000	Acquisitions £'000	Other non-cash movements £'000	At 30 April 2003 £'000
Cash at bank and in hand	4,093	9,303	–	–	13,396
Current asset investments	–	709	–	–	709
Overdrafts	(9,076)	8,525	–	11	(540)
	(4,983)	18,537	–	11	13,565
Debt due within one year	(12,327)	13,985	(2,000)	(3,042)	(3,384)
Debt due after one year	(135,841)	(66,393)	(6,274)	(7,958)	(216,466)
	(148,168)	(52,408)	(8,274)	(11,000)	(219,850)
Total net debt	(153,151)	(33,871)	(8,274)	(10,989)	(206,285)

Other non-cash movements relate to deferred acquisition loan notes, loan amortisation costs written off during the year and foreign exchange differences.

(d) Acquisitions

	2003 £'000	2002 £'000
Cash consideration and acquisition costs paid	13,474	38
Shareholder loans repaid on acquisition	2,000	–
	15,474	38

Five year financial summary

	2003 £'000	2002 £'000	as restated 2001 £'000	2000 £'000	1999 £'000
Summarised profit and loss accounts					
Turnover	82,102	77,405	75,019	48,788	25,931
Underlying operating profit	31,052	29,368	29,217	19,298	8,037
Goodwill amortisation	(7,670)	(7,091)	(6,251)	(3,049)	-
Disposal of SBS	(61,746)	-	-	-	-
Other exceptional items	(360)	-	-	(990)	-
Operating profit	(38,724)	22,277	22,966	15,259	8,037
Disposal of fixed assets	1,588	1,021	2,541	956	-
Disposal of operations	-	1,529	-	(467)	4,433
Disposal of investment	-	9,646	-	-	-
Investment income	-	-	683	190	-
Profit/(loss) before interest	(37,136)	34,473	26,190	15,938	12,470
Interest payable (net)	(16,702)	(9,525)	(10,854)	(4,754)	(1,215)
Profit/(loss) on ordinary activities before taxation	(53,838)	24,948	15,336	11,184	11,255
Taxation	(4,031)	(6,739)	(6,152)	(2,336)	(1,413)
Profit/(loss) for the financial year	(57,869)	18,209	9,184	8,848	9,842
Dividends	(774)	(2,270)	(2,237)	(2,099)	(998)
Retained profit/(loss) transferred to reserves	(58,643)	15,939	6,947	6,749	8,844
Earnings/(loss) per share:					
- underlying	6.75p	7.52p	7.36p	8.10p	6.32p
- basic	(31.85)p	10.07p	5.24p	6.20p	11.50p
Dividends per share	0.425p	1.252p	1.222p	1.222p	1.155p
Summarised balance sheets					
Fixed assets	374,978	380,231	354,669	296,312	37,736
Net current assets/(liabilities)	6,924	(23,810)	(3,820)	(11,225)	11,592
Total assets less current liabilities	381,902	356,421	350,849	285,087	49,328
Creditors: amounts falling due after more than one year	(216,848)	(136,278)	(148,199)	(106,589)	(12)
Provisions for liabilities and charges	(6,811)	(4,475)	(3,345)	(842)	(133)
Net assets	158,243	215,668	199,305	177,656	49,183
Share capital	18,211	18,131	18,097	17,186	8,621
Reserves	140,032	197,537	181,208	160,470	40,562
Equity shareholders' funds	158,243	215,668	199,305	177,656	49,183

Following the adoption of FRS19 (Deferred Tax) with effect from 1 May 2000 comparative figures for 2001 have been restated; earlier years have not been restated.

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