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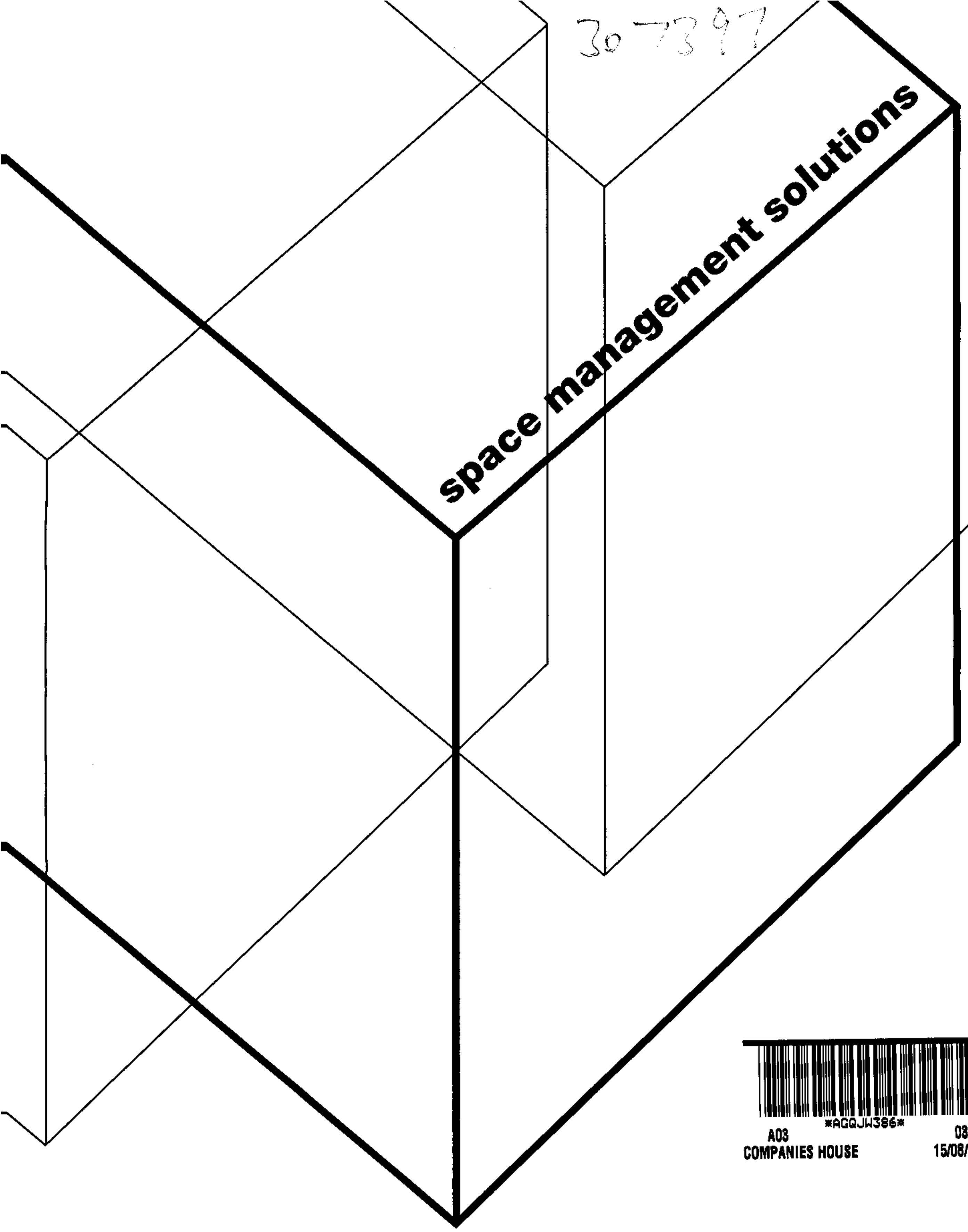


Investing for the future

MENTMORE ABBEY

Annual Report 2001

MENTMORE ABBEY

Personal storage
The group has 38 centres providing self-managed storage units for personal customers and small and medium-sized businesses on flexible terms.

Serviced business space
The group has 224 serviced business space centres offering trading or office space on flexible terms to businesses of all kinds.

Records management
A partnership with Iron Mountain, the world's leading records management company. Servicing customers across Europe.

Contents

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 exceptional items

EBITDA[1]	**£36.5m +57%**
Profit before tax	**£21.6m +38%**
Earnings per share	**9.86p +12%**

- Total operating profit £31.8 million against £20.3 million in 2000
  - Serviced business space delivered £20.1 million, an increase of 75% (2000: eight month period only)
  - Personal storage up 40% to £7.2 million
  - Records management reduced 18% to £2.0 million
- Net debt of £156.3 million giving gearing of 77% (2000: 61%)
- Dividends unchanged at 1.222p per share
- Post balance sheet – sale of Workspace investment for £30 million

[1] Earnings before interest, taxes, depreciation and amortisation

Building a service ethic

Our business has grown strongly this year and we have started an investment programme which will significantly improve the value we offer to our customers and thereby the returns that we earn. By investing to upgrade our centres and adding services we will be better placed to satisfy the needs of tomorrow's market.

Nick Smith
Chairman

Overview
I am again pleased to report a year of continued growth in profits.

During the year our business has grown and we have started an investment programme that will significantly improve the value we offer to our customers and thereby the returns that we earn. Strategically we have recognised that by investing to upgrade the specification of our centres and adding services we will be better placed to satisfy the needs of tomorrow's market.

Results
Personal storage improved operating profits by 40% while investing in record levels of new space. We acquired British Self-Storage (BSS), the third largest UK operator in June 2000 and Une Pièce en Plus, the leading operator in the Paris market in September 2000. Both businesses have operated ahead of expectations. We added 17 new stores, including ten from the acquisitions. 40% of our stores are now less than two years old leaving plenty of scope for future earnings growth. We continue to progress with our re-branding; this newer, more modern profile provides a sound base for our ongoing exploitation of this growing but immature market. Recognising the opportunities in Paris we intend to accelerate our investment in this young but attractive market.

Serviced business space improved operating profits by 75%. They continue to operate at high occupancy levels and we have added a net 0.5 million sq. ft. in the year. This is less new space than in previous years as we declined to pay prices that prejudice our ability to make attractive returns. We have an active programme to improve the service levels and standards of many of our business centres.

As part of the new services we acquired Synex Network Services in January 2001, providing our customers with lower cost communications and higher service levels. This service has been exceptionally well received by our customers and we are working to accelerate the nationwide roll out programme. Once complete we will be able to provide additional products to our customers.

Following market research we have consultants working to update the successful InShops product. This will make the product more attractive to both retailers and customers alike and enable us to generate a better return from this business.

All of these initiatives will improve the returns we can generate.

Iron Mountain Europe ("IME"), our joint venture records management company, had a difficult year as we invested to rectify a poor operational position that was highlighted by new and improved IT systems. We have addressed the most significant issues, strengthened the management, restored our good name in the market place and are seeing reductions in costs. As a result of the changes made we have secured a number of major contracts and are now increasing our operating margins. In due course we expect this business to match the attractive returns generated in this industry by our US partner.

In December 2000, IME acquired and integrated Datavault, the fourth largest records management company in the UK market, and in April 2001 moved into Eire.

In May 2001 we sold our 20% stake in Workspace Group PLC. The proceeds of some £30 million (which include an additional £0.7 million received in June pursuant to the disposal underwriting agreement) will initially reduce our debt levels but will be re-invested when strategically sound opportunities can be identified that generate the appropriate level of return.

Dividend
We are proposing an unchanged final dividend of 0.82p bringing the total for the year to 1.222p.

People
All of these developments put a huge strain on all our people. Without their efforts and skills we would achieve nothing and I know I speak for all shareholders in congratulating them on their achievements and thanking them for their efforts.

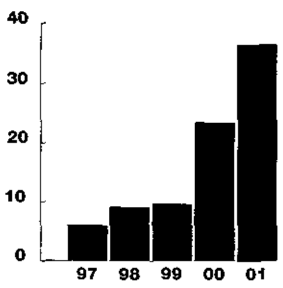
Michael Woodhead, our senior non-executive director, has decided to retire at this year's annual general meeting. Michael joined us from the Birkby board and has provided valuable help in ensuring the integration has progressed so well. We thank him and wish him well.

We have commenced the search for a new non-executive director and expect to be able to announce an appointment in due course.

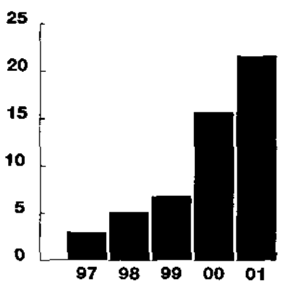
Prospects
Parts of these results reflect the benefits of our investment programme. This will provide higher value services to our growing customer base across each of our activities. These improvements are in line with market requirements and will generate higher returns on our capital base. The early results have encouraged us to accelerate the process. The necessary investment will slow our year on year growth in the near future as we incur the initial losses inherent in space management through opening new sites and the redevelopment of existing space. It will, however, leave your company stronger and even better equipped to enjoy long term growth. We have little doubt that these investments are in the long term interests of shareholders.

NP Smith
Chairman
3 July 2001

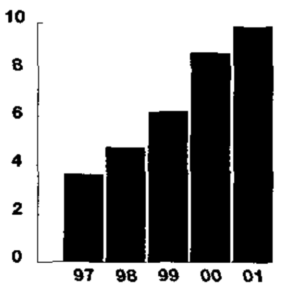
EBITDA[1] (£m)



Profit before tax[2] (£m)



Earnings per share[2] (£m)



(1) Earnings before interest, taxes, depreciation and amortisation
(2) Before goodwill amortisation and exceptionals

Investing for the future

Space management, including personal storage, serviced business space and records management, is one of the fastest-growing business sectors in Europe. Mentmore Abbey is a market leader and is the organisation best placed to capitalise on the many opportunities that this still immature marketplace will continue to present.

Kim Taylor-Smith
Chief executive

Integrated space management solutions
The provision and management of storage facilities and business space are naturally complementary activities. Many of our business customers require both and can often be accommodated within the same premises in a mix determined by demand and the particular advantages of the property in question. Taken alone, each one of our three central activities clearly has excellent prospects. However, by putting them together – and taking advantage of the many synergies that arise – we have created a business that is uniquely placed to achieve successful long term growth.

As we enter the current year Mentmore Abbey faces an exciting and challenging future. Each of the interlocking markets in which we operate is at an early stage of development and, given intelligent and timely investment and a willingness to innovate, there are tremendous opportunities for participation in this growth.

We've already shown, through our experience with Synex Network Services ("Synex") and through successful cross-selling to customers of personal storage and business space, how rapidly new business can be developed from our existing customer base.

We are intensifying our efforts to improve and diversify the service offered to both new and existing customers. We are extending the facilities within our existing centres and developing more purpose built sites. We are continually exploring every opportunity to expand the range of associated services we offer to storage and business space customers, experimenting with value-added services such as 'pick up and store', which integrates transport into the storage offer. We are pushing hard to increase the profit we earn from ancillary merchandising activities such as insurance and packaging for storage customers and office equipment and telecommunications provision for business space occupants.

We will continue the roll-out of our 'spaces' identity and the programme of refurbishment, and we will extend our marketing effort so that the spaces' public profile is higher than that of any of our competitors' brands.

We will make the investment necessary to ensure that our records management business achieves success in Europe which is comparable to that already enjoyed by our partner in the United States.

We are investing in the infrastructure of all our businesses to create stronger, more flexible management, a better trained workforce and the deeply ingrained service culture which will ensure long term success.

I am confident that, by taking the initiative and making these investments now, we can substantially increase the value we offer to our customers and thereby ensure profitability and growth.

K Taylor-Smith
Chief executive

turnover increased by

54%

to £75.0 million

total operating profit up

57%

to £31.8 million before goodwill amortisation and exceptionals

Personal storage

operating profit

£7.2m

an increase of 40% on last year

increased space

105%

from 17 new centres added during the year

For both domestic and business customers, personal storage offers flexibility and convenience. Domestic customers often like to store items as part of the process of moving. Commercial users often use personal storage for storing documents which they can easily retrieve, seasonal stock, office equipment during a move or as a small-scale distribution facility.

Personal storage

Friendly, helpful staff and highly accessible storage at spaces personal storage centre at Reading. This centre is Europe's largest purpose built personal storage facility.

Our personal storage centres provide individual lockable units for use by private and business customers. With an emphasis on security and ease of access our customers can access their units at anytime at no additional charge. Spaces personal storage is a leading operator in the UK and a business with enormous potential. Although the numbers of centres are increasing, per capita penetration is only a fraction of that seen in the more developed United States market. In Europe the future prospects are, if anything, even more exciting.

Investments made in the year fundamentally changed the balance of our portfolio. 40% of our space is now less than two years old. Since new sites typically take around 18 months to reach break-even this profile augurs extremely well for future profitability.

We were first into the UK market, catering to every kind of domestic and business storage need, and we believe we have been consistently the country's most profitable operator. We have already secured personal storage centres in prominent locations in many of the major cities in the UK and our future strategy will be to open further centres around these existing locations. This offers convenience to our customers and efficiency to our operation. Nearly half of our available space is located in and around central London, with more space under development within the metropolitan area.

Already in 2001 we have opened new sites in Birmingham, Manchester and London. Construction has started on two joint storage and serviced business space centres in Birmingham and Bedford. When complete they will provide a further 114,000 sq. ft. of storage space and 103,000 sq. ft. of serviced business space.

We successfully completed the integration of sites acquired from British Self Storage in Bristol, Bath, Manchester and Reading. The site at Reading is the largest purpose-built personal storage facility in Europe and provides our customers with 24 hour access and drive through units.

We launched the 'spaces' personal storage brand that will eventually be implemented across all our personal storage facilities. Wherever the signage has been applied it has generated significant increases in the number of enquiries we receive. We intend to apply the spaces branding to all of our sites as they are refurbished over the coming eighteen months.

www.spaces.uk.com

Clean, comfortable and individually alarmed steel units at spaces central Birmingham facility.

A wide range of packaging material is available at our centres or from our website.

This year the division made its first move into continental Europe. In September we acquired Une Pièce en Plus ("UPP"), the leading personal storage business in the Paris market. UPP, with four storage centres and a strong management team, has traded above our expectations from the start and it quickly became apparent that opportunities in the Paris market are significantly greater than we anticipated. Consequently, a decision to invest more heavily has resulted in the acquisition of two new centrally located sites, in East Paris and Montparnasse, and the expansion of existing space. When this work is complete UPP will have in excess of 250,000 sq. ft. of lettable space.

Taken together, these developments have resulted in the addition of almost a million square feet of new capacity and an increase in the number of sites to 38 (including 6 in France) compared to 21 at the previous year end. The annualised storage revenue as at 30 April 2001 increased by 74% to £17 million of which 35% arises from organic growth.

Despite investing at record levels in new space and the re-branding and upgrading of existing centres, we improved operating profits by 40%, although as a consequence of so many new sites coming on-stream, operating margins reduced slightly to 44%. Meanwhile other income increased to 8.4% of revenues as we worked hard to promote services such as packaging and insurance.

24 hour drive through access and fork lift services available on site.

Most significantly, as a consequence of the investments we've made during the past year the balance of our portfolio has fundamentally changed. Now 40% of our space is less than two years old. Since new sites typically take around eighteen months to reach break-even this profile augurs extremely well for the future profitability of the personal storage business.

Serviced business space

increased service revenue

36%

evidence of our success in providing customers with the services they require

operating profit

£20.1m

an increase of 75% on last year

Our national network of serviced business space provides flexible accommodation to a wide range of customers. Above all, our customers need flexibility. They need space that can be rapidly and precisely adapted to their specific requirements, allowing them to establish quickly and to modify their accommodation as their circumstances change.

Serviced business space

Speciality florists, Flowerstalk and luxury chocolate maker, Chocolate Designs, customers at spaces business centre Staples Corner, London. Synex telephone installation for Yorkshire and Humberside Government Office at spaces business centre Dearne Valley, South Yorkshire.

Our national network of serviced business space provides flexible accommodation to a wide range of customers. Our target market is the 1.5 million small to medium sized enterprises (SMEs) that make up ninety four percent of UK business. 7,700 are already our customers and the numbers are growing fast thereby making us the largest providers of this type of business accommodation in the UK with 224 centres, from Scotland to the South East of England.

Above all, our customers need flexibility. They need space that can be rapidly and precisely adapted to their specific requirements, allowing them to establish quickly and to modify their accommodation as their circumstances change – without onerous contracts or lengthy negotiations.

They also need services: everything from compressed air to telephones and office equipment to broadband Internet access. We can deliver all these profitably, yet at competitive rates. In January the group acquired its own telecommunications provider in the form of Synex. 150 customers signed up with Synex during the first quarter under our ownership and in May we were accredited by Energis plc as being the UK's fastest growing switchless reseller.

We now intend to expand the service to include broadband Internet access and discounted mobile phone packages.

Serviced business space enjoyed an extremely successful year, achieving consistently high levels of occupancy at every location and an overall 75% increase in operating profit contribution to the group. There is a shift towards office and studio accommodation with customers demanding better quality accommodation and a greater range of services. Over the coming years we will prioritise investment in reformatting and upgrading our centres.

Throughout the year the cost of new sites suitable for development remained high. So our focus has been on maximising the development

Customers are demanding better quality accommodation and a greater range of services with a shift towards office and studio. This is a higher value product that generates an attractive return on investment.

www.imexspaces.uk.com
www.inshopsretail.com

Purpose built facilities to suit a wide range of businesses at imex spaces technology park at Trentham, near Stoke-on-Trent.

Reception, messaging and meeting facilities at spaces business centre, Burton-on-Trent.

Serviced accommodation, telephony and internet access at spaces business centre Wansbeck, Ashington, Northumberland.

of existing sites as well as generating further income by improving and extending services. We have over 700,000 sq. ft. of conversion and development work in progress. This policy is already reaping significant rewards and we see many new opportunities being identified, for facilities that offer an enhanced standard of office and light industrial accommodation and an extended range of services.

Our service revenue has increased by 36%, in part due to the success of Synex and their ability to provide a comprehensive and efficient telephony service to our customers. This change in emphasis enables us to increase our return on investment and purchase sites which previously did not meet our investment return. It is particularly pleasing to see the development of our serviced business centres in London and this will be a target area for us this year.

During the year we opened ten new centres – in Liverpool, London, Birmingham and the North East – and continued development of a further ten at locations that include Leeds, Manchester, Nottingham and Birmingham. The Birmingham site is just a third of a mile from the City Centre and will provide 73,000 sq. ft. of combined workspace, storage and fully-serviced office facilities when complete.

We sold eleven sites generating a profit of £2.5 million (2000: £1.0 million). Where centres do not meet our criteria for growth and the opportunity arises we will sell and re-invest the proceeds elsewhere. This is a recurring feature of the group and demonstrates our ability to maximise alternative use values.

Records management

revenue

£38.2m

of which £19.1 million is attributable to Mentmore Abbey

operating profit

£3.9m

of which £2.0 million is attributable to Mentmore Abbey

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.

Records management

Iron Mountain's state-of-the-art bar code scanning system for magnetic media storage.

The investment in our records management activity is born out of growth. Sales success has consumed storage capacity and we are embarking on the construction of a major new facility in London.

Like those for personal storage and business accommodation, 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 supply 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.

Through Iron Mountain Europe ("IME"), our joint venture with Iron Mountain, the world's leading records management company, we are building a highly sophisticated, technologically advanced operation that will soon enable us to achieve the same commanding lead in records management that we hold in personal storage and serviced business space. The re-branding of our records management business with the Iron Mountain corporate identity has been positively received by customers everywhere. It has enabled us to offer them technology and expertise developed over fifty years by the largest and most successful organisation in the world for this service.

The adaptation for European customers of business processes and software designed initially for the American market has not been without its difficulties. This is reflected in IME's performance which, although profitable, did not meet with our expectations.

The installation of new systems highlighted a poor operational position. This led to a fall in customer service standards, higher operational costs and a consequent decline in profitability.

www.ironmountain.co.uk

Iron Mountain provides customers with 24 hour, seven days a week access to their vital business records. These records can be retrieved and delivered to the customer in less than two hours if required, either electronically or in hard copy format.

Magnetic media is stored in highly secure, state-of-the-art environmentally controlled vaults to provide customers with peace of mind.

Following major management restructuring and further aggressive investment in human resources, systems and IT assets, we are now confident that IME is better placed than any of its competitors to exploit the enormous market potential that arises as growing numbers of European companies begin outsourcing their records management.

We have already seen improved customer service, sales price increases and major new contract wins. Our labour and transport costs are on an improving trend and we are confident that results from this business will continue to improve.

Investment in records management activity is born out of growth. Sales success has consumed storage capacity and we are embarking on the construction of a major new facility in London. It will be operational in the spring of 2002 and will be one of the largest such facilities in Europe.

IME is pursuing a three-year strategy that will restore profitability in the UK and increase penetration of key industry sectors including financial services, insurance and healthcare across Europe. We expect this business to become a major contributor to group profits.

Cash flow supports investment

EBITDA (earnings before interest, taxes, depreciation and amortisation) is a key performance indicator for the group – it broadly equates to cash flow generated from operations and is the principal component in determining the group's debt capacity. EBITDA for the year was £36.5 million (2000: £23.3 million) growing 57% on last year.

Clive Drysdale
Finance director

Group results
Group turnover (excluding our share from joint ventures) increased by 54% to £75.0 million (2000: £48.8 million). Our share of turnover at Iron Mountain Europe, our records management joint venture, was £19.1 million (2000: £13.3 million), an increase of 43%. Acquisitions in the year contributed £4.4 million and £2.9 million to group and share of joint venture turnover respectively.

Before goodwill amortisation and exceptionals total operating profits grew by £11.5 million or 57% to £31.8 million (2000: £20.3 million). Part of the absolute increase reflects the inclusion of serviced business space for a full year (last year only eight months). Acquisitions contributed £1.8 million to total operating profit. Operating margins increased from 32.6% to 33.8%.

Net interest cost increased from £4.8 million to £10.9 million mainly due to the financing of acquisitions through increased borrowings. Before goodwill amortisation and exceptionals interest cost for the year was covered 2.9 times by total operating profit (2000: 4.3 times).

The group's tax charge represents an effective rate of 20% (2000: 20%). This continues to be lower than the standard rate of tax of 30% due to differences between accounting profits and those assessable for taxation – principally in relation to capital expenditure.

Before goodwill amortisation and exceptionals profit after tax and earnings per share increased by 38% and 12% to £17.3 million and 9.86 pence respectively. The lower percentage increase in earnings per share reflects the higher average number of shares in issue during the year, largely due to the acquisition of our serviced business space operation in September 1999.

Goodwill amortisation of £6.3 million (2000: £3.0 million) has been charged against total operating profit. There were no exceptional items in the current year (2000: £0.6 million after tax). After taking these charges into account profit after tax and earnings per share were £11.0 million (2000: £8.8 million) and 6.29 pence (2000: 6.20 pence) respectively.

Segmental analysis
Segmental information which shows sales, operating profit and operational net assets for each division of the group is provided in note 1 to the accounts.

This year the segment categories have been expanded from that previously reported to separately identify the financial effect of the group's management of its property assets which was previously amalgamated within serviced business space. Whilst this activity is an ongoing and important part of the group's operations it has potential to distort the underlying performance of the serviced business space division. Accordingly it was considered appropriate to provide separate disclosure to enable shareholders to properly assess the performance of the group. Comparative figures have been adjusted in the segmental analysis to reflect this change.

Corporate activity
During the year the group completed three acquisitions for a total consideration of £35.4 million. Other than in respect of £0.3 million of new shares issued the consideration was funded by increased borrowings.

Iron Mountain Europe made four new acquisitions and purchased the outstanding minority shareholding in one existing subsidiary for a total consideration of £31.7 million. A mixture of shareholder loans, bank debt and the issue of new shares to the joint venture partners funded the acquisitions.

Cash flows
The group continues to deliver strong operating cash flows which it then reinvests to secure future earnings growth. Operating activities generated £33.2 million (2000: £23.8 million) and funded capital expenditure of £26.1 million (2000: £23.6 million).

Debt funding of acquisitions resulted in interest payments increasing by £5.5 million to £8.3 million. Tax payments reduced to £1.7 million (2000: £4.4 million) following last year's increase due to the change in basis of tax remittance. Loan funding of Iron Mountain Europe was £1.9 million (2000: £13.5 million) and cash outflow in respect of acquisitions was £31.1 million (2000: £68.8 million).

Cash outflow before financing was £37.3 million (2000: £90.6 million) and was primarily funded by an increase in borrowings.

Balance sheet
The group's investment in Workspace Group PLC, which had a cost of £20.2 million, was transferred from fixed to current assets in the latter part of the year. It was subsequently sold on 21 May for approximately £30.0 million (after taking into account costs).

Net debt at 30 April 2001 amounted to £156.3 million (2000: £107.6 million) and comprised bank debt of £148.1 million (2000: £107.6 million) and deferred acquisition loan notes of £8.2 million (2000: £nil). Net assets at 30 April 2001 were £202.6 million giving gearing of 77% (2000: 61%). This reduced to 62% following the receipt of the Workspace sale proceeds.

Equity shareholders funds increased by £24.9 million in the year as a result of the retained profit for the year of £8.8 million, shares issued to fund acquisitions and in respect of share options being exercised amounting to £15.9 million and after adding exchange differences on overseas operations of £0.2 million.

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. There are no transactions undertaken of a speculative nature and financial instruments are not traded. The group's 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.

operating cash flow

£33.2m

an increase of 40% on last year

gearing

77%

as at 30 April 2001 but reduced to 62% following Workspace sale

Acquisitions:		
June 2000		
British Self Storage	Personal storage	UK
September 2000		
Une Pièce en Plus	Personal storage	France
November 2000		
Secur'Archiv (minority remaining)	Records and information management	Germany
December 2000		
Datavault	Records and information management	UK
January 2001		
Datacare	Records and information management	UK
Synex Network Services	Serviced business space	UK
February 2001		
Archive Services	Records and information management	UK
April 2001		
Beverley	Records and information management	Eire

At 30 April 2001, after taking into account swaps, £10 million 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 a mixture of committed and uncommitted borrowing facilities with varying dates of maturity to meet anticipated borrowing requirements in relation to its current business plan. Committed facilities are maintained to cover what is perceived as core debt with uncommitted facilities maintained to support day-to-day operations. The primary source of funds is bank debt. The level and type of facility is regularly reviewed, particularly in the event of corporate transactions.

At 30 April 2001 the group's UK banking facilities amounted to £172 million. The principal elements of this were:

- a £105 million committed facility of which £70 million is an amortising term loan with the final repayment due in February 2007 and £35 million is a revolving credit facility with a bullet repayment due in February 2007;
- a £60 million uncommitted facility. £45 million of this has been maintained and is due for review in June 2002 and £15 million was allowed to lapse following the year end.

In addition, the group has bank facilities in France amounting to FRF 17.5 million and a Dutch Guilder loan of NLG 8.6 million.

As at 30 April 2001 the group had unutilised bank facilities of £19.2 million. During the year the group complied with all debt covenants.

Foreign exchange risk
Although the group is becoming more exposed to foreign exchange risk due to its expansion in Continental Europe it 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 2001 the group had no forward exchange contracts.

Directors

1

2 3

4 5

6 7

1 Nicholas Smith, chairman, joined the Board in January 1995. Aged 61, he was formerly President of Kimberly-Clark Europe and has considerable business experience in the manufacture and marketing of consumer products.

2 Clive Drysdale, finance director and company secretary, joined the Board in November 1995. Aged 38, he is a chartered accountant and previously spent nine years with Price Waterhouse.

3 Kim Taylor-Smith, chief executive, joined the Board in September 1999. Aged 44, he was previously chief executive of Birkby whom he joined in 1987. He is also a non-executive director of Citib@se plc.

4 Michael Woodhead, senior non-executive director, joined the Board from Birkby in September 1999. Aged 50, he is non-executive chairman of Fairway Foodservice Plc and Information Dynamics Group PLC.

5 Brian Howes OBE DL, non-executive director, joined the Board in February 1997. Aged 63, he is chairman of Finance Wales plc and was formerly President of Kimberly-Clark Europe's Away from Home Sector.

6 Anthony Lewis, non-executive director, joined the Board in September 1999. Aged 60, he is a lawyer and was a partner in the law firm Taylor Joynson Garrett until May 1995. A former non-executive director of Birkby and currently a non-executive director of a number of private companies.

7 Leigh Collins, non-executive director, joined the Board in June 2000. Aged 53, he was a founding director of the stockbroking firm Collins Stewart where he was head of corporate finance. He is also a director of European Telecom plc, Quarto Group Inc and Bank Restaurant Group PLC.

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.

Board of Directors

The Board of Directors, which comprises seven 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 four 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. Michael Woodhead acts as senior non-executive director.

Audit committee

The audit committee, which meets at least twice a year, comprises the non-executive directors and was chaired by Michael Woodhead during the year; Leigh Collins will take over as chairman following the annual general meeting. The auditors, chairman, chief executive and finance director 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.

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 note 9 to the financial statements.

Remuneration policy – executive directors

The remuneration committee's objective is to set competitive remuneration packages which fairly reflect each individual's performance and value to the business and ensure that the company can attract and retain executives of the highest calibre.

Remuneration packages comprise four elements:

- basic salary and benefits
- annual incentives
- longer-term incentives
- pensions

Basic salary and benefits

The basic salary of each executive director is reviewed annually unless individual circumstances dictate otherwise, for example, where a substantial increase in responsibility is assumed. It is set after taking into account the market rates of pay for equivalent businesses of similar size and in related sectors of industry and the particular skills of the individual concerned. Benefits in kind include the provision of fully expensed company cars and private medical insurance.

Annual incentives

Annual incentive plans, which are not pensionable, are in place for Kim Taylor-Smith and Clive Drysdale which include performance measures related to the achievement of predetermined profit and cash flow targets. The performance targets are stretching and incentive payments will not be made unless the targets are reached. Nicholas Smith does not have an annual incentive plan as he is focused on the longer term performance of the business.

Longer-term incentives

Share options are seen as being an effective way of aligning the long term interests of directors with those of shareholders. All share option schemes in place 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. Options, which are also granted to employees in the group, are granted from time to time on a discretionary basis.

Pensions

Pensions, which only apply to basic salary, and life assurance arrangements are provided in line with prevailing practice at director and senior executive levels in other quoted companies of a similar size.

Kim Taylor-Smith has a private pension scheme (which was established prior to June 1989 and is not subject to the Inland Revenue's earnings cap) to which the company contributes an amount equal to 20% of his basic salary. He has four times salary life cover for death in service. Clive Drysdale participates in the group's defined benefit pension scheme which aims to provide him at age 60 with a pension of two-thirds of his basic salary (subject to a maximum of the Inland Revenue's earnings cap) as at, or near, retirement subject to a minimum of 20 years' service with the group. Pensions in payment will increase annually by the level of inflation up to a maximum of 5% per annum. The arrangements include dependants' pensions and four times salary life cover for death in service.

Other than in respect of Kim Taylor-Smith, there are no arrangements in place to provide directors with pension rights in respect of that part of their basic salary which exceeds the Inland Revenue's earnings cap.

Nicholas Smith does not receive any pension benefit but does receive death in service cover.

Service contracts
Each of the executive directors has written service contracts and is entitled to 12 months' notice of termination of their service contracts.

Kim Taylor-Smith is entitled to terminate his employment by giving 30 days prior written notice within three months of a subsequent change of control of the company. In this event he is entitled to be paid a sum equal to twice his then gross annual basic salary.

Remuneration policy – non-executive directors
Non-executive directors do not enter into service contracts, nor do they receive annual incentives, grants under any of the group's long term incentive arrangements or any pension entitlement. Their remuneration comprises solely directors' fees at a level decided by the group chairman after consultation with the other executive directors.

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 assessment of financial control at each operating unit throughout the group;
- 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.

The directors have reviewed the effectiveness of these procedures.

Given the relatively small 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 as the group expands.

Going concern
The directors having made appropriate enquiries, including a review of the group's budget for 2002 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.

Notice of the annual general meeting is given to shareholders at least 20 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.

The directors present their report together with the audited financial statements of the group for the year ended 30 April 2001.

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
Profit before taxation amounted to £15.3 million (2000: £11.2 million). The profit attributable to ordinary shareholders amounted to £11.0 million which, after dividends of £2.2 million, resulted in a transfer to reserves of £8.8 million.

Dividends
The directors recommend a final dividend of 0.82p per ordinary share (2000: 0.82p) to be paid on 2 October 2001 to shareholders on the register on 7 September 2001.

An interim dividend of 0.402p per ordinary share (2000: 0.402p) was paid on 6 April 2001. This, together with the recommended final dividend, makes a total for the year of 1.222p per ordinary share (2000: 1.222p).

Post balance sheet event
On 21 May 2001 the group sold its entire interest of 20% in Workspace Group PLC in an underwritten cash placing. The final net proceeds (after the deduction of costs) amounted to approximately £30.0 million and were used to reduce group debt. The group's investment was carried on the balance sheet at £20.2 million and in the year ended 30 April 2001 generated dividend income of £0.7 million.

Share capital
The directors are seeking authority from the 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 £906,272. This sum represents 9,062,721 ordinary shares of 10p each, being equivalent to 5% of the entire issued share capital at 3 July 2001. The authority will terminate no later than 15 months from the passing of the resolution.

Substantial shareholdings
As at 2 July 2001 the company had been advised of the following interests of 3% or more in its ordinary share capital:

	No. of shares	%
Legal & General Investment Management Limited	7,146,906	3.94

Directors
All the non-executive directors sit on the Audit Committee (chairman Michael Woodhead) and the Remuneration Committee (chairman Brian Howes).

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

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

	30 April 2001	30 April 2000 or date of appointment
NP Smith	**363,308**	363,308
CD Drysdale	**51,460**	30,221
KD Taylor-Smith	**85,376**	85,376
GL Collins	**100,000**	–
BJ Howes	**20,000**	20,000
MJ Woodhead	**10,258**	10,258
AM Lewis (non beneficial)	**8,614**	8,614

There were no changes in directors' interests in shares between 30 April 2001 and 3 July 2001.

Details of the directors' interests in share options are given in note 9 to the financial statements.

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.

Full consideration is given to employment applications from disabled persons who have the necessary aptitudes and abilities. 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.

Charitable and political contributions
The group made contributions for charitable purposes amounting to £2,528 in the year (2000: £3,187). No donations were made to political organisations.

Policy for payment of creditors
The group's policy for the year to 30 April 2002, 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 2001 the company had trade creditors outstanding for an average of 26 days (2000: 30 days).

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

Notice of meeting
The notice of the annual general meeting to be held on 5 September 2001 is set out on page 52.

By order of the Board

CD Drysdale

CD Drysdale
Company Secretary
3 July 2001

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 have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

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 Abbey 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 Abbey plc

We have audited the financial statements on pages 28 to 50.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, 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 are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law 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 on pages 22 and 23 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 the other information contained in the annual report and consider whether it is consistent with the audited financial statements. 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. 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 and group's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 April 2001 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes
Chartered Accountants and Registered Auditors
Centre City Tower, 7 Hill Street
Birmingham B5 4UU
England
3 July 2001

Group profit and loss account

for the year ended 30 April 2001

	Notes	2001 £'000	2000 £'000
Turnover	1	**75,019**	48,788
Continuing operations:			
Group and share of joint venture		**89,662**	60,275
Less: group's share of joint venture		**(19,074)**	(13,338)
Group		**70,588**	46,937
Acquisitions		**4,431**	–
		75,019	46,937
Discontinued operations		**–**	1,851
		75,019	48,788
Cost of sales		**(38,502)**	(24,569)
Gross profit		**36,517**	24,219
Administrative expenses		**(12,048)**	(10,000)
Operating profit	2	**24,469**	14,219
Continuing operations:			
Existing activities		**28,528**	17,336
Acquisitions (£152,000 loss after goodwill amortisation)		**1,275**	–
Goodwill amortisation and exceptionals		**(5,334)**	(3,637)
		24,469	13,699
Discontinued activities		**–**	520
		24,469	14,219
Share of operating profit in joint venture:			
Before goodwill amortisation		**1,955**	2,398
Goodwill amortisation		**(917)**	(402)
		1,038	1,996
Total operating profit	1	**25,507**	16,215
Before goodwill amortisation and exceptionals		**31,758**	20,254
Goodwill amortisation and exceptionals		**(6,251)**	(4,039)
Loss on disposal of operations	3	**–**	(467)
Income from other fixed asset investments		**683**	190
Profit on ordinary activities before interest		**26,190**	15,938
Net interest payable	4	**(10,854)**	(4,754)
Profit on ordinary activities before taxation		**15,336**	11,184
Taxation	5	**(4,322)**	(2,336)
Profit on ordinary activities after taxation		**11,014**	8,848
Before goodwill amortisation and exceptionals		**17,265**	12,515
Goodwill amortisation and exceptionals		**(6,251)**	(3,667)
Dividends	6	**(2,237)**	(2,099)
Retained profit for the year	20	**8,777**	6,749
Earnings per share	7		
Basic		**6.29p**	6.20p
Basic before goodwill amortisation and exceptionals		**9.86p**	8.77p
Diluted		**6.14p**	6.08p
Diluted before goodwill amortisation and exceptionals		**9.63p**	8.60p
Dividends per share		**1.222p**	1.222p

Balance sheets
at 30 April 2001

		Group		Company	
	Notes	**2001 £'000**	2000 £'000	**2001 £'000**	2000 £'000
Fixed assets					
Intangible assets	10	**106,508**	76,005	**–**	–
Tangible assets	11	**214,416**	179,505	**620**	5,293
Investments	12				
Subsidiaries		**–**	–	**220,945**	192,538
IME joint venture		**34,064**	20,056	**50,082**	35,139
– share of gross assets		**58,708**	33,460		
– share of gross liabilities		**(40,776)**	(26,916)		
– share of net assets		**17,932**	6,544		
– loans to joint venture		**16,132**	13,512		
Own shares		**222**	258	**222**	258
Other		**250**	20,488	**–**	–
		355,460	296,312	**271,869**	233,228
Current assets					
Stocks	13	**2,315**	1,815	**–**	–
Assets held for resale	13	**5,231**	6,875	**–**	–
Debtors	14	**9,491**	8,763	**76,668**	260
Investments	15	**20,238**	–	**–**	–
Cash at bank and in hand		**8,465**	615	**8,262**	2,598
		45,740	18,068	**84,930**	2,858
Creditors: amounts falling due within one year	16	**(49,560)**	(29,293)	**(69,337)**	(7,979)
Net current (liabilities)/assets		**(3,820)**	(11,225)	**15,593**	(5,121)
Total assets less current liabilities		**351,640**	285,087	**287,462**	228,107
Creditors: amounts falling due after more than one year	17	**(148,199)**	(106,589)	**(80,160)**	(39,192)
Provisions for liabilities and charges	18	**(853)**	(842)	**(131)**	(119)
Net assets		**202,588**	177,656	**207,171**	188,796
Capital and reserves					
Called up share capital	19	**18,097**	17,186	**18,097**	17,186
Share premium account	20	**129,804**	114,843	**129,804**	114,843
Special reserve	20	**–**	–	**3,134**	3,134
Other reserve	20	**27,226**	27,226	**49,708**	49,708
Profit and loss account	20	**27,461**	18,401	**6,428**	3,925
Equity shareholders' funds		**202,588**	177,656	**207,171**	188,796

Signed on behalf of the Board who approved the accounts on 3 July 2001

NP Smith
Chairman

CD Drysdale
Finance Director

Group cash flow statement
for the year ended 30 April 2001

	Notes	2001 £'000	2000 £'000
Cash flow from operating activities	25(a)	**33,219**	23,792
Returns on investments and servicing of finance	25(b)	**(7,619)**	(2,646)
UK corporation tax		**(1,692)**	(4,357)
Capital expenditure	25(b)	**(26,078)**	(23,634)
Loans made to joint venture		**(1,929)**	(13,512)
Acquisitions and disposals	25(b)	**(31,056)**	(68,845)
Equity dividends paid		**(2,162)**	(1,367)
Cash outflow before financing		**(37,317)**	(90,569)
Financing			
– issue of shares		**3,259**	290
– increase in debt	25(b)	**39,268**	73,722
Increase/(decrease) in cash in the year		**5,210**	(16,557)

Reconciliation of net cash flow to movement in net debt
for the year ended 30 April 2001

	Notes	2001 £'000	2000 £'000
Increase/(decrease) in cash in the year		**5,210**	(16,557)
Cash inflow from change in debt and lease financing		**(39,268)**	(73,722)
Change in net debt resulting from cash flows		**(34,058)**	(90,279)
Loans and finance leases acquired with subsidiary undertakings		**(6,141)**	(33,000)
Non-cash movements		**(8,531)**	183
Movement in net debt in the year		**(48,730)**	(123,096)
Net debt at 1 May 2000		**(107,621)**	15,475
Net debt at 30 April 2001	25(c)	**(156,351)**	(107,621)

Statement of total recognised gains and losses
for the year ended 30 April 2001

	2001 £'000	2000 £'000
Group profit for the year	**12,111**	8,220
Share of profit/(loss) in joint venture for the year	**(1,097)**	628
Profit for the year	**11,014**	8,848
Currency translation differences on foreign currency net investments	**283**	(342)
Total recognised gains and losses in the year	**11,297**	8,506

Reconciliation of movements in shareholders' funds
for the year ended 30 April 2001

	2001 £'000	2000 £'000
Profit for the year	**11,014**	8,848
Other recognised gains and losses in the year	**283**	(342)
Shares issued net of expenses	**15,872**	122,066
Dividends	**(2,237)**	(2,099)
Net addition to shareholders' funds	**24,932**	128,473
Opening shareholders' funds	**177,656**	49,183
Closing shareholders' funds	**202,588**	177,656

Accounting policies

Accounting convention
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 are included at cost less any provision for impairment necessary to reduce book value to recoverable amount.

Dividend income from group companies is included in the profit and loss account of the company on a receivable basis. Income from external investments is included in the profit and loss account when received and recorded net of tax credits.

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.

Deferred tax

Deferred tax, in respect of accelerated capital allowances and other timing differences, is provided only to the extent that it is probable that a liability will crystallise.

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.

1. Segmental analysis

	Turnover		Total operating profit		Operational net assets	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000	**2001 £'000**	2000 £'000
By activity:						
Continuing operations:						
Personal storage	**16,276**	10,625	**7,177**	5,126	**49,806**	26,622
Serviced business space	**51,360**	31,741	**20,098**	11,461	**220,944**	211,799
Records management	**–**	–	**1,955**	2,398	**34,064**	20,056
Property disposals	**4,345**	1,390	**2,541**	956	**5,231**	6,875
Other	**3,038**	3,181	**(13)**	(207)	**787**	1,024
Goodwill amortisation	**–**	–	**(6,251)**	(3,049)	**–**	–
Exceptional costs	**–**	–	**–**	(990)	**–**	–
	75,019	46,937	**25,507**	15,695	**310,832**	266,376
Discontinued operations:						
Serviced business space	**–**	860	**–**	617	**–**	–
Other	**–**	991	**–**	(97)	**–**	–
	75,019	48,788	**25,507**	16,215	**310,832**	266,376

Operational net assets are net assets excluding investments, cash, borrowings, current and deferred tax and dividends payable.

The segment categories have been expanded from that previously reported to separately identify the financial effect of the group's management of its property assets (Property disposals) which was previously amalgamated within serviced business space. Comparative figures have been adjusted accordingly.

Turnover all originated in the United Kingdom with the exception of £1.7 million (2000: £0.4 million) which is supplied in other European countries. Turnover by destination was as follows:

	2001 £'000	2000 £'000
United Kingdom	**73,361**	48,377
Other Europe	**1,658**	411
	75,019	48,788

Total operating profit before goodwill amortisation all arose in the United Kingdom with the exception of £0.9 million (2000: £0.9 million) which was generated in other European countries.

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

	2001			2000		
	Continuing operations Existing £'000	**Continuing operations Acquisitions £'000**	**Total £'000**	Continuing operations £'000	Discontinued operations £'000	Total £'000
Turnover	**70,588**	**4,431**	**75,019**	46,937	1,851	48,788
Cost of sales	**(36,881)**	**(1,621)**	**(38,502)**	(23,582)	(601)	(24,183)
Gross profit	**33,707**	**2,810**	**36,517**	23,355	1,250	24,605
Administrative expenses	**(5,179)**	**(1,535)**	**(6,714)**	(6,019)	(730)	(6,749)
Goodwill amortisation	**(3,907)**	**(1,427)**	**(5,334)**	(2,647)	–	(2,647)
Exceptional costs	**–**	**–**	**–**	(990)	–	(990)
Operating profit	**24,621**	**(152)**	**24,469**	13,699	520	14,219
Share of IME operating profit:						
Before goodwill amortisation	**1,367**	**588**	**1,955**	2,398	–	2,398
Goodwill amortisation	**(670)**	**(247)**	**(917)**	(402)	–	(402)
Total operating profit	**25,318**	**189**	**25,507**	15,695	520	16,215

2. Operating profit

Operating profit is stated after charging the following:

	2001 £'000	2000 £'000
Goodwill amortisation	**5,334**	2,647
Depreciation – on owned assets	**3,623**	2,306
– on assets held under finance leases	**2**	6
Operating lease rentals – land and buildings	**9,865**	6,227
– other	**263**	91
Auditors' remuneration – audit work	**55**	55

During the year, the group's auditors were paid £32,000 (2000: £200,000) for services other than as auditors.

Exceptional charges against operating profit in the prior year comprise:

	£'000
Termination costs in relation to former directors of Birkby	604
Loss on sale of Homeware Brands' cutlery activities	386
	990

3. (Loss)/profit on disposal of operations (net)

	2000 £'000
Manor Credit	(547)
Britannia Storage Systems	(20)
Platignum Stationery	100
	(467)

The loss of £0.5m shown above for Manor Credit was wholly offset by corporation tax credits arising as a result of the disposal. It included £0.9 million of goodwill written back on disposal.

4. Net interest payable

	2001 £'000	2000 £'000
On bank loans and overdrafts	**11,623**	5,209
Other financing costs	**24**	50
Share of IME joint venture interest	**2,033**	978
Interest payable and similar charges	**13,680**	6,237
Bank and other interest receivable	**(1,550)**	(1,014)
Interest receivable from IME joint venture	**(1,276)**	(469)
Net interest payable	**10,854**	4,754

5. Taxation on profit on ordinary activities

	2001 £'000	2000 £'000
UK corporation tax at 30% (2000: 30%)	**4,220**	1,503
Deferred tax	**-**	443
Share of IME joint venture tax	**102**	390
	4,322	2,336

Certain subsidiaries of the group have unrelieved tax losses to carry forward against future trading profits. The exceptional costs incurred in 2000 gave rise to a tax credit of £0.8 million.

6. Dividends

	2001 £'000	2000 £'000
Interim paid	**752**	689
Final proposed	**1,485**	1,410
	2,237	2,099

7. Earnings per share

Basic earnings per share are calculated on profit after tax of £11.0 million (2000: £8.8 million), divided by 175.1 million ordinary shares (2000: 142.7 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 179.3 million (2000: 145.5 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:

	2001		2000	
	Profit after tax £'000	**Earnings per share p**	Profit after tax £'000	Earnings per share p
As for basic earnings per share	**11,014**	**6.29**	8,848	6.20
Goodwill amortisation	**6,251**	**3.57**	3,049	2.14
Exceptional items (after tax)	**–**	**–**	618	0.43
Basic earnings per share before goodwill amortisation and exceptionals	**17,265**	**9.86**	12,515	8.77

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.

8. Employees

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

	2001 Number	2000 Number
Personal storage	**121**	63
Serviced business space	**288**	210
Other	**32**	44
	441	317

Employment costs relating to the above were:

	2001 £'000	2000 £'000
Wages and salaries	**8,367**	5,876
Social security costs	**809**	575
Pension costs	**242**	181
	9,418	6,632

9. Directors' remuneration

The total emoluments of the directors were as follows:

	2001 £'000	2000 £'000
Fees	**69**	51
Salaries	**526**	461
Performance related bonuses	**108**	107
Benefits	**40**	44
Emoluments excluding pension contributions	**743**	663

In addition to the amounts disclosed above:

(1) Clive Drysdale made a gain of £316,000 on the exercise of share options in the year, full details of which are given below.

(2) Following Richard Makowski's resignation from the Board on 27 June 2000 he remained an employee of Iron Mountain Europe until 23 December 2000 during which time he received salary and benefits amounting to £65,000. A further sum of £160,000 was paid by way of compensation for loss of office.

(3) In 2000 Kim Taylor-Smith and Clive Drysdale made gains of £13,000 and £12,000 respectively on the exercise of share options.

(4) In 2000 Peter Pollock received an ex-gratia payment of £7,500 on retirement as a non-executive director.

Individual remuneration of the directors was:

	Fees/salaries		Performance related bonuses		Benefits		Total	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
NP Smith	**150**	123	**–**	–	**10**	12	**160**	135
KD Taylor-Smith (from 1.9.99)	**220**	133	**70**	70	**14**	8	**304**	211
CD Drysdale	**135**	105	**38**	37	**14**	17	**187**	159
GL Collins (from 27.6.00)	**14**	–	**–**	–	**–**	–	**14**	–
BJ Howes	**18**	17	**–**	–	**–**	–	**18**	17
AM Lewis (from 1.9.99)	**17**	11	**–**	–	**–**	–	**17**	11
MJ Woodhead (from 1.9.99)	**25**	17	**–**	–	**–**	–	**25**	17
RJ Makowski (to 27.6.00)	**16**	100	**–**	–	**2**	7	**18**	107
PG Pollock (to 2.9.99)	**–**	6	**–**	–	**–**	–	**–**	6
	595	512	**108**	107	**40**	44	**743**	663

During the year the company contributed £44,000 (2000: £27,000) to a money purchase pension scheme for KD Taylor-Smith. None of the other directors accrued retirement benefits under money purchase schemes during the year.

9. Directors' remuneration continued

The following table shows the pension entitlement under the group's defined benefit pension scheme of each of the relevant executive directors as at 30 April 2001 should he leave employment ("accrued benefit"), the increase in that entitlement earned during the year as a result of additional length of service and salary increases but excluding inflation ("increase in accrued benefit") and the transfer value of the increase in the accrued benefit in the year excluding inflation ("transfer value of increase"). The transfer value of increase has been calculated on the basis of actuarial advice and is net of directors' contributions in the year.

	Age at 30 April 2001	Years of pensionable service	Accrued benefit at 30 April 2001 £'000 per annum	Increase in accrued benefit in the year £'000 per annum	Transfer value of increase £'000
CD Drysdale	38	5.5	17	3	17

Directors' interests in share options

The following options were outstanding at 30 April 2001:

Name	Date of grant	**Shares under option**	Exercise price	Date from which exercisable	Expiry date
NP Smith					
NPS Option	4.10.95	**797,927**	45p	October 2000	October 2002
1992 Sharesave	6.3.97	**39,564**	43.6p	April 2002	September 2002
1994 Scheme	3.8.98	**32,858**	91.3p	August 2001	August 2008
1996 Scheme	3.8.98	**92,142**	91.3p	August 2001	August 2005
1999 Scheme	4.1.99	**2,136,405**	115p	January 2004	January 2009
1999 Scheme	20.9.99	**1,200,000**	143.166p	September 2004	September 2009
CD Drysdale					
1992 Scheme	1.2.01	**9,811**	172p	March 2006	August 2006
1996 Scheme	3.8.98	**75,000**	91.3p	August 2001	August 2005
1999 Scheme	4.1.99	**1,427,118**	115p	January 2004	January 2009
1999 Scheme	20.9.99	**1,000,000**	143.166p	September 2004	September 2009
KD Taylor-Smith					
Birkby Sharesave	8.3.99	**14,771**	65.57p	April 2002	September 2002
1994 Scheme	20.9.99	**20,954**	143.166p	September 2002	September 2009
1996 Scheme	20.9.99	**250,000**	133.5p	September 2002	September 2006
1999 Scheme	20.9.99	**1,720,000**	133.5p	September 2004	September 2009

The following options were exercised during the year:

	Date of grant	Exercise price	Shares under option and exercised	Market price at date of exercise of option	Gain on exercise of option £'000
CD Drysdale					
1992 Sharesave	7.1.98	44.4p	13,175	124p	10
1994 Scheme	23.4.96	85.5p	35,088	202p	41
1996 Scheme	23.4.96	85.5p	140,351	202p	163
1996 Scheme	3.9.97	45p	65,000	202p	102
					316

Other than the options described above, no options granted to directors lapsed unexercised and there were no options exercised during the year. The middle market price of a Mentmore Abbey plc ordinary share on 30 April 2001 was 127.5p. The range during the year to 30 April 2001 was 231p (high) and 108.5p (low). There were no changes in directors' share options between 30 April 2001 and 3 July 2001.

10. Intangible assets

	Goodwill £'000
Cost	
At 1 May 2000	78,652
Arising on acquisitions	35,695
Exchange movements	144
At 30 April 2001	**114,491**
Amortisation	
At 1 May 2000	2,647
Charge for the year	5,334
Exchange movements	2
At 30 April 2001	**7,983**
Net book value	
At 30 April 2001	**106,508**
At 30 April 2000	76,005

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 2000	182,660	19,383	202,043	5,323	293	5,616
Arising on acquisition	8,496	3,239	11,735	–	–	–
Exchange movements	287	–	287	–	–	–
Additions	25,796	3,038	28,834	–	29	29
Disposals/inter-group transfers	(1,910)	(511)	(2,421)	(4,795)	–	(4,795)
Reclassification	30	(30)	–	–	–	–
At 30 April 2001	**215,359**	**25,119**	**240,478**	**528**	**322**	**850**
Depreciation						
At 1 May 2000	10,581	11,957	22,538	236	87	323
Arising on acquisition	34	278	312	–	–	–
Charge for the year	2,119	1,506	3,625	14	52	66
Disposals/inter-group transfers	(45)	(368)	(413)	(159)	–	(159)
At 30 April 2001	**12,689**	**13,373**	**26,062**	**91**	**139**	**230**
Net book value						
At 30 April 2001	**202,670**	**11,746**	**214,416**	**437**	**183**	**620**
At 30 April 2000	172,079	7,426	179,505	5,087	206	5,293

Land and buildings at cost comprise:

	Group		Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Land	**84,509**	67,647	**222**	2,783
Freehold buildings	**94,630**	81,794	**222**	2,456
Long leasehold	**20,015**	18,638	**–**	–
Short leasehold	**16,205**	14,581	**84**	84
	215,359	182,660	**528**	5,323

The net book value of the group's plant, equipment and vehicles includes £18,000 (2000: £20,000) in respect of assets held under finance leases.

12. Investments

	Group				Company	
	Other £'000	Own shares £'000	IME joint venture £'000	Subsidiary undertakings £'000	IME joint venture £'000	Own shares £'000
At 1 May 2000	20,488	258	20,056	192,538	35,139	258
Additions	–	–	12,323	28,407	12,323	–
Disposals	–	(36)	–	–	–	(36)
Transfer (to)/from current assets	(20,238)	–	691	–	–	–
Loans made to IME	–	–	1,929	–	2,620	–
Share of loss retained by joint venture	–	–	(1,097)	–	–	–
Exchange movements	–	–	162	–	–	–
At 30 April 2001	**250**	**222**	**34,064**	**220,945**	**50,082**	**222**

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 2001 the number of shares held by the Quest was 434,136 (2000: 520,032) 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 85,896 shares on exercise of employee share options.

The group's investment in its IME joint venture comprises its share of their net assets of £17.9 million (2000: £6.5 million) and loans of £16.1 million (2000: £13.5 million). The addition of £12.3 million in the year represents new shares issued to the company by IME in December 2000 as a consequence if its acquisition of Datavault. New shares in the company were issued as consideration for their shares and these were placed by IME for cash.

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

Company	Activity	Country of operation and registration
Abbey Storage Limited	Personal storage	UK
British Self Storage Limited	Personal storage	UK
Une Pièce en Plus S.A.	Personal storage	France
Imex Spaces Limited	Serviced business space	UK
Imex Holland B.V.	Serviced business space	Holland
Inshops Centres Limited	Serviced business space	UK
Synex Network Services Limited	Serviced business space	UK
Homeware Brands Limited	Other	UK

On 4 January 1999 Iron Mountain Europe Limited 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
Beverley Records Management Limited	Eire
Memogarde S.A.	France
Datavault S.A.	Spain
Documentalia S.A.	Spain
Boston Data S.A.	Spain
Secur'Archiv Aktenmanagement 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 2001 and its share of profits for the year then ended are given below:

	2001 £'000	2000 £'000
Fixed assets	**47,651**	28,269
Current assets	**11,057**	5,191
Share of gross assets	**58,708**	33,460
Liabilities due within one year	**(20,211)**	(4,325)
Liabilities due after more than one year	**(20,565)**	(22,591)
Share of gross liabilities	**(40,776)**	(26,916)
Share of net assets	**17,932**	6,544
Share of net debt included in net assets above	**(13,708)**	(8,478)

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

	2001 £'000	2000 £'000
Turnover	**19,074**	13,338
EBITDA	**3,026**	3,124
Profit/(loss) before tax	**(995)**	1,018
Taxation	**(102)**	(390)
Profit/(loss) after tax	**(1,097)**	628

During the year the group charged IME a management fee of £48,000 (2000: £48,000), property rentals of £0.6 million (2000: £0.6 million), labour costs of £0.1 million (2000: £0.1 million) and had interest receivable of £1.3 million (2000: £0.5 million). All transactions were undertaken on an arm's-length basis.

13. Stocks and assets held for resale

	2001 £'000	2000 £'000
Stocks comprise:		
Raw materials	**150**	16
Work in progress	**1,594**	1,248
Finished goods	**571**	551
	2,315	1,815

Assets held for resale of £5.2 million (2000: £6.9 million) are surplus properties awaiting disposal.

14. Debtors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	**3,072**	2,555	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**76,252**	141
Amounts owed by IME joint venture	**–**	691	**–**	–
Net investment in finance lease and hire purchase agreements	**108**	128	**–**	–
Other debtors	**1,161**	842	**225**	92
Prepayments and accrued income	**5,150**	4,547	**191**	27
	9,491	8,763	**76,668**	260

Group debtors falling due after more than one year amounted to £0.2 million (2000: £0.2 million).

15. Current asset investments

The group's 20% equity interest in Workspace Group PLC, a listed company, which operates in England in the provision of serviced business space was transferred from fixed to current asset investments during the year at its cost to the group of £20.2 million. This investment was sold on 21 May 2001 for approximately £30.0 million (after taking into account costs).

16. Creditors: amounts falling due within one year

	Group		Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Bank loans and overdrafts	**12,494**	1,800	**2,111**	–
Deferred acquisition loan notes	**4,200**	–	**4,200**	–
Obligations under finance leases	**8**	17	**2**	11
Trade creditors	**10,651**	8,767	**281**	338
Amounts owed to subsidiary undertakings	**–**	–	**59,385**	5,049
Social security and other taxes	**811**	1,155	**29**	26
Corporation tax	**4,490**	1,873	**–**	–
Other creditors	**1,930**	1,120	**332**	7
Accruals and deferred income	**13,491**	13,151	**1,512**	1,138
Proposed dividend	**1,485**	1,410	**1,485**	1,410
	49,560	29,293	**69,337**	7,979

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

	Group		Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Bank loans and overdrafts	**144,071**	106,417	**76,117**	39,190
Deferred acquisition loan notes	**4,043**	–	**4,043**	–
Obligations under finance leases	**–**	2	**–**	2
Borrowings	**148,114**	106,419	**80,160**	39,192
Other creditors	**85**	170	**–**	–
	148,199	106,589	**80,160**	39,192

The above borrowings are repayable as follows:

	Group		Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Between one and two years	**56,354**	11,657	**43,192**	2,113
Between two and five years	**37,112**	34,966	**8,334**	6,334
After five years	**54,648**	59,796	**28,634**	30,745
	148,114	106,419	**80,160**	39,192

Included above, for the group, are obligations under finance leases of which £nil is repayable between one and two years (2000: £2,000).

The aggregate amount of all loans repayable by instalment, of which any instalment is due for repayment after five years is £70.0 million (2000: £70.0) for the group and £13.5 million (2000: £13.5 million) 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 0.75%.

18. Provisions for liabilities and charges

	At 1 May 2000 £'000	Charged to profit and loss account £'000	Exchange movements £'000	**At 30 April 2001 £'000**
Group				
Pensions	145	16	–	**161**
Deferred tax	697	–	(5)	**692**
	842	16	(5)	**853**
Company				
Pensions	119	12	–	**131**

The group's potential liability to deferred tax and the amounts provided are as follows:

	Potential liability		Amounts provided	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Accelerated capital allowances	**1,230**	533	**692**	254
Short-term timing differences	**(208)**	(118)	**–**	150
Other	**–**	293	**–**	293
	1,022	708	**692**	697

There is further potential liability to deferred taxation of £9.1 million (2000: £8.6 million) which would arise in the event of freehold and long leasehold premises being sold at their balance sheet values. This comprises an amount of £6.2 million (2000: £6.2 million) on the realised gain over original cost together with £2.9 million (2000: £2.4 million) on the clawback of industrial building allowances. It is currently intended that all of the group's premises will be retained on a long term basis and that any chargeable gain which might arise on any sale would be covered by rollover relief.

19. Called up share capital

	2001		2000	
	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	**180,975**	**18,097**	171,858	17,186

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

	Number 000's	£'000
At 1 May 2000	171,858	17,186
Issued on acquisition of Synex Network Services	128	12
Issued to Iron Mountain Europe	6,771	677
Share placing – December 2000	1,829	183
Issued on exercise of employee share options	389	39
At 30 April 2001	**180,975**	**18,097**

The shares issued to Iron Mountain Europe were as a consequence of their acquisition of Datavault and were placed on their behalf by the company for cash.

During the year the group operated five share option schemes: The Mentmore Abbey Sharesave Scheme 1992 ("Sharesave"), The Mentmore Abbey 1994 and 1996 Executive Share Option Schemes ("1994 Scheme" and "1996 Scheme" respectively), The Mentmore Abbey Senior Executive Share Option Scheme ("1999 Scheme") and The Birkby SAYE Scheme ("Birkby Sharesave"). Options over 81,635 ordinary shares in the company lapsed in the year without being exercised. Options were exercised in respect of 474,473 shares during the year (including those satisfied by the Quest).

19. Called up share capital continued

The total number of Mentmore Abbey shares under option in these schemes at 30 April 2001 was 10,761,640 (2000: 10,131,273 shares) as follows:

Scheme	Date of grant	Normal date of exercise	Option price	Number of shares
Sharesave	6. 3.1997	1.4.2002 – 30.9.2002	43.6p	112,355
	7.1.1998	1.3.2001 – 31.8.2001	44.4p	7,466
	7.1.1998	1.3.2003 – 31.8.2003	44.4p	7,770
	1.2.2001	1.3.2004 – 31.8.2004	172.0p	186,922
	1.2.2001	1.3.2006 – 31.8.2006	172.0p	108,105
1994 Scheme	23.4.1996	23.4.1999 – 22.4.2006	85.5p	5,850
	2.8.1998	2.8.2001 – 1.8.2008	91.3p	100,998
	20.9.1999	20.9.2002 – 19.9.2009	143.166p	20,954
	15.12.1999	15.12.2002 – 14.12.2009	172.7p	287,564
	14.12.2000	14.12.2003 – 13.12.2010	204.6p	443,896
1996 Scheme	2.8.1998	2.8.2001 – 1.8.2005	91.3p	216,002
	20.9.1999	20.9.2002 – 19.9.2006	133.5p	250,000
	15.12.1999	15.12.2002 – 14.12.2006	172.7p	82,780
	14.12.2000	14.12.2003 – 13.12.2007	204.6p	295,272
	12.4.2001	12.4.2005 – 11.4.2008	112.8p	124,114
1999 Scheme	4.1.1999	4.1.2004 – 3.1.2009	115.0p	4,272,809
	20.9.1999	20.9.2004 – 19.9.2009	133.5p	1,720,000
	20.9.1999	20.9.2004 – 19.9.2009	143.166p	2,200,000
Birkby Sharesave	8.3.1999	1.4.2002 – 30.9.2002	65.57p	318,783

In addition to the above, at the extraordinary general meeting of the company on 4 October 1995 shareholders granted to Nicholas Smith, the NPS Option, which is an option to subscribe for up to 797,927 ordinary shares in the company at a price of 45p. This option will normally only be exercised between the fifth and seventh anniversaries of the date of grant.

20. Reserves

	Share premium account £'000	Special reserve £'000	Other reserve £'000	Profit and loss account £'000
Group				
At 1 May 2000	114,843	–	27,226	18,401
Shares issued in year	14,961	–	–	–
Retained profit for the year	–	–	–	8,777
Exchange movements	–	–	–	283
At 30 April 2001	**129,804**	**–**	**27,226**	**27,461**
Company				
At 1 May 2000	114,843	3,134	49,708	3,925
Shares issued in year	14,961	–	–	–
Retained profit for the year	–	–	–	2,427
Exchange movements	–	–	–	76
At 30 April 2001	**129,804**	**3,134**	**49,708**	**6,428**

20. Reserves continued

At 30 April 2001 the cumulative amount of goodwill written off against group reserves amounted to £25.6 million (2000: £25.6 million). As permitted by Section 230 of the Companies Act 1985, no profit and loss account is presented for the company. The profit attributable to shareholders, dealt with in the accounts of the company was £4.7 million (2000: £4.3 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 Abbey Storage Limited.

21. Acquisitions

During the year the group acquired British Self Storage Limited, Une Pièce en Plus S.A. and Synex Network Services Limited. Goodwill on acquisition arose as follows:

	Book value prior to acquisition £'000	Conformity of accounting policies £'000	Provisional fair value of assets acquired £'000
Fair value of assets acquired			
Tangible fixed assets	11,442	(19)	11,423
Stocks	35	–	35
Debtors	1,101	(33)	1,068
Borrowings (net)	(8,984)	(14)	(8,998)
Other creditors	(3,670)	(155)	(3,825)
	(76)	(221)	(297)
Fair value of consideration			
Issue of new ordinary shares			290
Deferred acquisition loan notes			8,243
Deferred consideration recognised			100
Cash and expenses of acquisition			26,765
			35,398
Goodwill arising on acquisition			**35,695**

In accordance with FRS6 the group has disclosed the fair value of the assets acquired as provisional.

The impact of the acquisitions on the results of the group to 30 April 2001 can be seen in the segmental analysis in note 1 to the accounts.

22. Commitments and contingent liabilities

(i) Operating lease commitments

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

	2001		2000	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**–**	**14**	–	6
Between one and two years	**–**	**83**	–	10
Between two and five years	**161**	**78**	258	105
Over five years	**9,809**	**–**	9,737	–
	9,970	**175**	9,995	121

(ii) Contingent liabilities

The group had contingent liabilities on documentary credits amounting to £35,000 at 30 April 2001 (2000: £27,000). 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 2001 the company's contingent liability under these was £74 million (2000: £65 million).

23. Pensions

The group operates both defined benefit and defined contribution pension schemes. The assets of the schemes are held in separate trustee administered funds. The total pension cost for the group was £0.2 million (2000: £0.2 million) of which £16,000 (2000: £17,000) related to defined benefit schemes.

An actuarial valuation of the group's defined benefit scheme was carried out at 1 April 2000 by an independent actuary using the projected unit method. The principal assumptions adopted were that investment returns would be 5% and that investment returns would be equal to future salary increases and exceed pension increases by 2%. At 1 April 2000 the market value of the scheme's assets was £2.7 million, sufficient to cover 93% of accrued benefits after allowing for expected future increases in earnings. As recommended by the actuary, employers' contributions to the scheme recommenced on 1 April 2001 at the rate of £120,000 per annum.

The company processes transactions and makes payments on behalf of the trustees of the principal pension scheme. These items are recharged on an arm's-length basis with the company making no gain or loss. At 30 April 2001 the pension scheme owed the company £49,000 (2000: £nil) in respect of transactions processed but not yet recharged.

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 19 and 20. 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 2001:			
Sterling	**45,509**	**24,799**	**20,710**
At 30 April 2000:			
Sterling	35,015	14,269	20,746
Euro	89	89	–
	35,104	14,358	20,746

Financial assets comprise: cash £8.5 million (2000: £0.6 million), loans to joint ventures £16.1 million (2000: £13.5 million), own shares £0.2 million (2000: £0.3 million), other fixed asset investments £0.3 million (2000: £20.5 million), current asset investments £20.2 million (2000: nil) and long-term debtors £0.2 million (2000: £0.2 million). 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 2001:						
Sterling	160,882	85	150,789	10,008	7.05	1.56
Euro	4,019	–	4,019	–		
	164,901	**85**	**154,808**	**10,008**		
At 30 April 2000:						
Sterling	106,053	170	95,864	10,019	7.05	2.56
Euro	2,353	–	2,353	–		
	108,406	170	98,217	10,019		

Financial liabilities comprise: borrowings £164.8 million (2000: £108.2 million) and long term creditors £0.1 million (2000: £0.2 million). The weighted average period until maturity for financial liabilities on which no interest is paid is 1 year (2000: 1.5 years). Floating rate liabilities bear interest based on LIBOR.

24. Financial instruments continued

Maturity of financial liabilities

The maturity of financial liabilities was as follows:

	2001			2000		
	Total £'000	**Borrowings £'000**	**Other £'000**	Total £'000	Borrowings £'000	Other £'000
Within one year	**16,702**	**16,702**	**–**	1,817	1,817	–
Between one and two years	**56,439**	**56,354**	**85**	11,827	11,657	170
Between two and five years	**37,112**	**37,112**	**–**	34,966	34,966	–
After five years	**54,648**	**54,648**	**–**	59,796	59,796	–
	164,901	**164,816**	**85**	108,406	108,236	170

Other financial liabilities comprise government grants.

Fair values of financial assets and liabilities

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

	2001		2000	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Other fixed asset investments	**250**	**250**	20,488	26,358
Financial assets excluding other fixed asset investments	**45,259**	**54,959**	14,616	14,616
Borrowings	**(164,816)**	**(164,816)**	(108,236)	(108,236)
Interest rate swaps	**–**	**(281)**	–	(346)
Other financial liabilities	**(85)**	**(85)**	(170)	(170)

Other matters

At 30 April 2001 the group did not have outstanding any forward currency contracts or any 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 profit to cash flow from operating activities

	2001 £'000	2000 £'000
Operating profit	**24,469**	14,219
Goodwill amortisation	**5,334**	2,647
Depreciation charge	**3,625**	2,312
(Profit)/loss on sale of tangible fixed assets	**(612)**	11
Decrease in stocks and assets held for resale	**928**	5,384
Increase in debtors	**(235)**	(749)
Decrease in creditors	**(306)**	(44)
Increase in provisions for liabilities and charges	**16**	12
Net cash inflow from operating activities	**33,219**	23,792

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

	2001 £'000	2000 £'000
Returns on investments and servicing of finance		
Dividends received from other fixed asset investments	**683**	190
Interest paid (net)	**(8,302)**	(2,836)
Net cash outflow for returns on investments and servicing of finance	**(7,619)**	(2,646)
Capital expenditure		
Purchase of tangible fixed assets	**(28,734)**	(24,091)
Sale of tangible fixed assets	**2,656**	457
Net cash outflow for capital expenditure	**(26,078)**	(23,634)
Acquisitions and disposals		
Acquisitions (Note 25d)	**(28,199)**	(50,291)
Bank overdrafts acquired with acquisitions	**(2,857)**	(28,601)
Sale of Manor Credit	**-**	9,748
Sale of 50.1% of IME	**-**	(70)
Net overdrafts transferred on sale of subsidiaries	**-**	289
Sale of other subsidiaries	**-**	80
Net cash outflow for acquisitions and disposals	**(31,056)**	(68,845)
Financing		
Debt due within one year – increase in borrowings	**7,790**	–
Debt due beyond one year – increase in borrowings	**32,205**	75,227
Debt due within one year – repayment of borrowings	**(676)**	(1,500)
Capital element of finance lease rental payments	**(51)**	(5)
Net cash inflow from financing	**39,268**	73,722

25. Cash flow statement continued

c) Analysis of changes in net debt

	At 1 May 2000 £'000	Cash flow £'000	Acquisitions £'000	Other non-cash movements £'000	**At 30 April 2001 £'000**
Cash at bank and in hand	615	7,850	–	–	**8,465**
Overdrafts	(1,673)	(2,640)	–	–	**(4,313)**
	(1,058)	5,210	–	–	**4,152**
Loans due within one year	(127)	(7,114)	(791)	(4,349)	**(12,381)**
Loans due after one year	(106,417)	(32,205)	(5,310)	(4,182)	**(148,114)**
Finance leases	(19)	51	(40)	–	**(8)**
	(106,563)	(39,268)	(6,141)	(8,531)	**(160,503)**
Total net debt	(107,621)	(34,058)	(6,141)	(8,531)	**(156,351)**

Other non-cash movements includes £8.2 million of deferred acquisition loan notes issued on the acquisition of British Self Storage. The balance relates to loan amortisation costs written off during the year and foreign exchange differences.

d) Acquisitions

	2001 £'000	2000 £'000
Cash consideration and acquisition costs paid	**26,648**	47,155
Shareholder loans repaid on acquisition	**1,551**	–
Share issue costs paid	**–**	3,136
	28,199	50,291

Acquisitions contributed £1.7 million to the group's net operating cash flows, paid £0.5 million in respect of net returns on investments and servicing of finance and utilised a net £1.4 million for capital expenditure.

Five year financial summary

	2001 £'000	2000 £'000	1999 £'000	1998 £'000	1997 £'000
Summarised profit and loss accounts					
Turnover	**75,019**	48,788	25,931	31,380	28,178
Underlying operating profit	**31,758**	20,254	8,037	7,182	4,623
Goodwill amortisation	**(6,251)**	(3,049)	–	–	–
Exceptional items	**–**	(990)	–	–	(1,228)
Operating profit	**25,507**	16,215	8,037	7,182	3,395
Disposal of operations	**–**	(467)	4,433	–	48
Investment income	**683**	190	–	–	–
Profit before interest	**26,190**	15,938	12,470	7,182	3,443
Interest payable (net)	**(10,854)**	(4,754)	(1,215)	(2,085)	(1,691)
Profit on ordinary activities before taxation	**15,336**	11,184	11,255	5,097	1,752
Taxation	**(4,322)**	(2,336)	(1,413)	(987)	(375)
Profit for the financial year	**11,014**	8,848	9,842	4,110	1,377
Dividends	**(2,237)**	(2,099)	(998)	(897)	(772)
Retained profit	**8,777**	6,749	8,844	3,213	605
Earnings per share:					
– underlying	**9.86p**	8.77p	6.32p	4.81p	3.70p
– basic	**6.29p**	6.20p	11.50p	4.81p	2.20p
Dividends per share	**1.222p**	1.222p	1.155p	1.05p	0.90p
Summarised balance sheets					
Fixed assets	**355,460**	296,312	37,736	48,725	48,953
Net current (liabilities)/assets	**(3,820)**	(11,225)	11,592	(9,350)	(4,837)
Total assets less current liabilities	**351,640**	285,087	49,328	39,375	44,116
Creditors: amounts falling due after more than one year	**(148,199)**	(106,589)	(12)	(17,514)	(25,775)
Provisions for liabilities and charges	**(853)**	(842)	(133)	(258)	(272)
Net assets	**202,588**	177,656	49,183	21,603	18,069
Share capital	**18,097**	17,186	8,621	8,546	8,546
Reserves	**184,491**	160,470	40,562	13,057	9,523
Equity shareholders' funds	**202,588**	177,656	49,183	21,603	18,069

Notice of annual general meeting

Notice is hereby given that the sixty-fifth annual general meeting of Mentmore Abbey plc will be held at Park House, 14 Pepys Road, London SW20 8NH on 5 September 2001 at 11.00 am for the following purposes:

Ordinary business

1. To receive and adopt the directors' report and audited financial statements for the year ended 30 April 2001.

2. To declare a final dividend on the ordinary shares.

3. To reappoint RSM Robson Rhodes as auditors and to authorise the directors to fix their remuneration.

4. To reappoint Kim Taylor-Smith as a director.

5. To reappoint Brian Howes as a director.

Special business

To consider, and if thought fit, to pass the following resolution which will be proposed as a special resolution:

6. THAT, pursuant to and in accordance with the provisions of Article 18 of the company's Articles of Association:

(i) the directors are empowered to allot equity securities (as defined in Section 94 of the Companies Act 1985) for cash

(ii) for the purpose of the limitation referred to in paragraph 18.2 of Article 18 the aggregate nominal value shall be £906,272: and

(iii) the powers contained in this resolution shall expire on the conclusion of the next annual general meeting to be held after the passing of this resolution or within 15 months of the date of passing this resolution, whichever shall be the earlier.

By order of the Board

CD Drysdale
Secretary
3 July 2001

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member of the company.

2. A form of proxy accompanies the report and accounts and is for the use of shareholders who are unable to attend the meeting in person. This form should be completed, signed and returned so that it arrives at the office of the company's registrars not less than 48 hours before the time of the meeting. By signing and returning the form of proxy a shareholder will not be precluded from attending and voting in person, should he subsequently find it possible to be present.

3. The register of directors' interests in the share capital of the company maintained under Section 325 of the Companies Act 1985 will be available for inspection at the place of the meeting for 15 minutes prior to the meeting and until its conclusion.

4. In accordance with the requirements of the London Stock Exchange Limited, copies of all directors' service contracts will be available for inspection at the registered office of the company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to the meeting and until its conclusion.

Advisers

Auditors	RSM Robson Rhodes Centre City Tower 7 Hill Street Birmingham B5 4UU
Bankers	Barclays Bank plc 15 Colmore Row Birmingham B3 2EP
	Bank of Scotland 123 St. Vincent Street Glasgow G2 5EA
	Royal Bank of Scotland 8 Park Row Leeds West Yorkshire LS1 5AH
Financial adviser	Bridgewell Limited 21 New Street Bishopsgate London EC2M 4HR
Financial public relations	Buchanan Communications Limited 107 Cheapside London EC2V 6DT
Lawyers	Eversheds 115 Colmore Row Birmingham B3 3AL
Registrars	CI Registrars Limited Cresta House Alma Street Luton Bedfordshire LU1 2PU
Stockbrokers	Dresdner Kleinwort Wasserstein 20 Fenchurch Street London EC3P 3DB
	Collins Stewart 9th Floor 88 Wood Street London EC2V 7QR

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