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# **Fairholme Estates (Holdings) Limited**

## **Report and Financial Statements**

31 August 2003

**EY ERNST & YOUNG**



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12/02/04

# Fairholme Estates (Holdings) Limited

Registered No: 830036

## Directors

S S Potel  
O H Hermes  
G C Grover  
G Potel  
D Potel  
M D Paisner

## Secretary

O H Hermes

## Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## Bankers

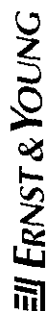
HSBC Bank plc  
140 Leadenhall Street  
London EC3V 4PS

## Solicitors

Berwin Leighton Paisner  
Adelaide House  
London Bridge  
London EC4R 9HA

## Registered Office

47 St John's Wood High Street  
St John's Wood  
London NW8 7NJ

 ERNST & YOUNG

## Directors' report

The directors submit their report and the audited financial statements for the year ended 31 August 2003.

### Results and dividends

The profit for the year attributable to shareholders amounts to £2,634,079 (2002 - £1,601,128) and is dealt with as shown in the consolidated profit and loss account. The directors proposed a final dividend of £255,625 (2002 - £255,625) in respect of the year ended 31 August 2003.

### Principal activities and review of the business

The activity of the group consists of property investment. During the year the company sold its investment in Robt. Hawkins (Contractors) Ltd.

### Fixed assets

All of the UK investment properties owned by the group have been revalued at the year end by Smith Melzack Pepper Angliss, Property Consultants and Valuation Surveyors, on an open market basis and the book values have been revised in accordance with those valuations. The resultant adjustment has been made as described in the accounting policy.

### Directors and their interests

The directors who served during the year were as follows:

S S Potel  
O H Hermes  
G C Grover  
G Potel  
D Potel  
M D Paisner

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company were as follows:

	<i>Ordinary £1 shares</i>	
	<i>31 August 2003</i>	<i>31 August 2002</i>
Beneficial interests:		
S S Potel	197,000	197,000
D Potel	76,300	76,300
Non-beneficial interests as trustees:		
S S Potel	35,000	35,000
G Potel	60,000	60,000
M D Paisner	156,000	156,000

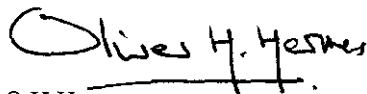
The other directors had no interests in the shares of the company.

## Directors' report

### Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



O H Hermes  
Secretary

07 FEB 2004

## **Statement of directors' responsibilities in respect of the financial statements**

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

**to the members of Fairholme Estates (Holdings) Limited**

We have audited the group's financial statements for the year ended 31 August 2003 which comprise the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet, company balance sheet, consolidated statement of cash flows and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

## **Independent auditors' report**

**to the members of Fairholme Estates (Holdings) Limited (continued)**

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 August 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
London

*Ernst & Young LLP*

*9 February 2004*

**Consolidated profit and loss account**

for the year ended 31 August 2003

	Notes	2003 £	2002 £
<b>Turnover</b>			
Continuing operations		3,898,851	3,451,433
Discontinued operations		566,462	3,883,084
		<hr/>	<hr/>
Cost of sales	2,3	4,465,313 (460,637)	7,334,517 (3,078,727)
		<hr/>	<hr/>
<b>Gross profit</b>		4,004,676	4,255,790
Administrative expenses		(658,575)	(862,575)
		<hr/>	<hr/>
<b>Net operating income</b>		3,328,886	3,032,332
Continuing operations		17,215	360,883
Discontinued operations			
		<hr/>	<hr/>
<b>Operating profit</b>	4	3,346,101	3,393,215
Profit/(loss) on disposal of investment properties		961,070	(4,154)
Provision for diminution in value of investment property	11	(399,013)	-
Profit on disposal of subsidiary undertaking	12	500,000	-
Other interest receivable and similar income		37,230	30,621
Interest payable and similar charges	7	(1,120,274)	(1,169,116)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	3	3,325,114	2,250,566
Taxation	8	691,035	649,438
		<hr/>	<hr/>
<b>Profit for the financial year</b>		2,634,079	1,601,128
Dividend	10	255,625	255,625
		<hr/>	<hr/>
<b>Retained profit for the year</b>		2,378,454	1,345,503
		<hr/>	<hr/>

**Consolidated statement of total recognised gains and losses**

	Notes	2003 £	2002 £
Profit for the year		2,634,079	1,601,128
Unrealised surplus on revaluation of investment properties		1,627,427	2,986,218
		<hr/>	<hr/>
<b>Total recognised gains relating to the year</b>		4,261,506	4,587,346
		<hr/>	<hr/>

**Note of historical cost profits and losses**

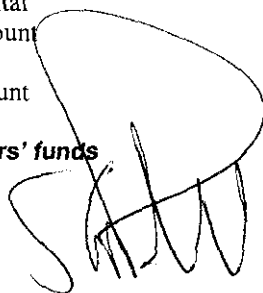
		2003 £	2002 £
Reported profit on ordinary activities before taxation		3,325,114	2,250,566
Realisation of property revaluation gains/losses of previous years		2,329,310	1,427,854
		<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation		5,654,424	3,678,420
		<hr/>	<hr/>
Retained historical cost profit for the year		4,707,764	2,773,357
		<hr/>	<hr/>



**Consolidated balance sheet**

at 31 August 2003

	Notes	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	11	47,494,229	49,266,563
Investments	12	194,339	—
		<u>47,688,568</u>	<u>49,266,563</u>
<b>Current assets</b>			
Stocks	13	—	167,506
Debtors	14	84,972	367,247
Cash at bank and in hand		4,019,750	289,252
		<u>4,104,722</u>	<u>824,005</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	15	810,015	975,001
Loans	16	474,340	615,099
Taxation		323,113	282,138
Proposed dividend	10	255,625	255,625
		<u>1,863,093</u>	<u>2,127,863</u>
<b>Net current assets/(liabilities)</b>		<u>2,241,629</u>	<u>(1,303,858)</u>
<b>Total assets less current liabilities</b>		<u>49,930,197</u>	<u>47,962,705</u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans	16	13,001,050	15,077,390
<b>Provisions for liabilities and charges</b>			
Deferred tax	20	1,068,392	986,601
<b>Total assets less liabilities</b>		<u>35,860,755</u>	<u>31,898,714</u>
<b>Capital and reserves</b>			
Called up share capital	17	409,000	409,000
Share premium account	19	6,148	6,148
Revaluation reserve	19	19,095,045	19,796,928
Profit and loss account	19	16,350,562	11,686,638
<b>Equity shareholders' funds</b>	19	<u>35,860,755</u>	<u>31,898,714</u>


S S Potel  
Director

07 FEB 2004

**Balance sheet**

at 31 August 2003

	Notes	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	11	47,494,229	49,231,185
Investments	12	212,338	273,953
		<u>47,706,567</u>	<u>49,505,138</u>
<b>Current assets</b>			
Debtors	14	84,972	40,932
Cash at bank and in hand		4,019,750	197,829
		<u>4,104,722</u>	<u>238,761</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	15	810,015	790,929
Loans	16	474,340	615,099
Taxation		323,113	180,382
Proposed dividend	10	255,625	255,625
		<u>1,863,093</u>	<u>1,842,035</u>
<b>Net current assets/(liabilities)</b>		<u>2,241,629</u>	<u>(1,603,274)</u>
<b>Total assets less current liabilities</b>		<u>49,948,196</u>	<u>47,901,864</u>
<b>Creditors: amounts falling due after more than one year</b>			
Amounts owed to subsidiary undertakings		17,999	73,891
Loans	16	13,001,050	15,077,390
		<u>13,019,049</u>	<u>15,151,281</u>
<b>Provisions for liabilities and charges</b>			
Deferred tax	20	1,068,392	986,601
<b>Total assets less liabilities</b>		<u>35,860,755</u>	<u>31,763,982</u>
<b>Capital and reserves</b>			
Called up share capital	17	409,000	409,000
Share premium account	19	6,148	6,148
Revaluation reserve	19	17,366,336	17,261,040
Profit and loss account	19	18,079,271	14,087,794
<b>Equity shareholders' funds</b>	19	<u>35,860,755</u>	<u>31,763,982</u>

S S Potel

Director

07 FEB 2004

**Consolidated Cash Flow Statement**

for the year ended 31 August 2003

	Notes	2003 £	2002 £
<b>Net cash inflow from operating activities</b>	21(a)	3,366,944	3,794,911
<b>Returns on investments and servicing of finance</b>			
Interest received		37,230	30,621
Interest paid		(1,120,274)	(1,169,116)
		(1,083,044)	(1,138,495)
<b>Taxation</b>			
Corporation tax paid		(568,269)	(711,518)
<b>Capital expenditure and financial investment</b>			
Payments to acquire investment properties		(1,586)	(8,138,782)
Receipts from sale of investment properties		3,924,367	–
Payments to acquire other tangible fixed assets		(1,140)	(42,099)
Receipts from sales of other tangible fixed assets		–	13,596
		3,921,641	(8,167,285)
<b>Acquisitions and disposals</b>			
Sale of subsidiary undertaking		655,558	–
Net cash disposed of with subsidiary undertaking		(89,608)	–
		565,950	–
<b>Equity dividends paid</b>		(255,625)	(255,625)
<b>Net cash inflow/(outflow) before financing</b>		5,947,597	(6,478,012)
<b>Financing</b>			
New long term loans		2,757,241	6,258,971
Repayment of long term loans		(4,974,340)	(1,493,645)
		(2,217,099)	4,765,325
<b>Increase/(decrease) in cash</b>	21(b)	3,730,498	(1,712,687)
<b>Reconciliation of net cash flow to movement in net debt</b>			
	Note	2003 £	2002 £
Increase/(decrease) in cash		3,730,498	(1,712,687)
Cash outflow/(inflow) from net loans		2,217,099	(4,765,325)
Movement in net debt		5,947,597	(6,478,012)
<b>Net debt at 1 September</b>	21(b)	(15,403,237)	(8,925,225)
<b>Net debt at 31 August</b>	21(b)	(9,455,640)	(15,403,237)

## Notes to the financial statements

at 31 August 2003

### 1. Accounting policies

#### *Accounting convention*

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investment properties, and in accordance with applicable accounting standards.

#### *Basis of consolidation*

The consolidated profit and loss account and balance sheet incorporate the audited financial statements of all subsidiary undertakings for the year ended 31 August 2003.

#### *Investment properties*

Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Where the total of the revaluation reserve is insufficient to cover a deficit, the amount by which the deficit exceeds the amount in the investment revaluation reserve is charged to the profit and loss account; and
- (ii) no depreciation is provided in respect of freehold and long leasehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### *Depreciation*

Investment properties are not depreciated, but are carried at valuation. The cost of tangible fixed assets, other than investment properties, is depreciated by equal annual instalments over the estimated useful lives of the assets as follows:

Motor vehicles	-	5 years
Plant	-	10 years
Office equipment	-	5-20 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Investment in subsidiaries*

The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements

at 31 August 2003

### 1. Accounting policies (continued)

#### Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Stocks and work in progress

Stocks of land held for development or resale are valued at direct cost, without additions for overheads, less any provisions necessary to write down cost to market value.

Work in progress is valued at the lower of cost and net realisable value.

### 2. Turnover

Turnover represents the amounts derived from rents receivable in the year and from the provision of goods and services, which fall within the group's ordinary activities, stated net of value added tax.

### 3. Analysis of turnover and profits between activities

	Turnover		Profit on ordinary activities before taxation	
	2003	2002	2003	2002
	£	£	£	£
General contracting (discontinued)	566,462	3,883,084	517,215	360,840
Property investment (continuing)	3,898,851	3,451,433	2,807,899	1,889,726
	<u>4,465,313</u>	<u>7,334,517</u>	<u>3,325,114</u>	<u>2,250,566</u>

## Notes to the financial statements

at 31 August 2003

### 4. Operating profit

This is stated after charging:

	2003	2002
	£	£
Loss on sale of fixed assets other than investment properties	500	4,154
Auditors' remuneration	15,000	19,000
Depreciation of tangible fixed assets	4,846	13,582

### 5. Emoluments of directors

	2003	2002
	£	£
Emoluments	161,954	181,077
Contributions paid to company pension schemes	—	50,000
Contributions paid to other pension schemes	9,000	6,000
	<u>170,954</u>	<u>237,077</u>

The group operates a defined contribution pension scheme for the sole benefit of one of the directors. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 6. Staff costs, excluding directors' emoluments

	2003	2002
	£	£
Wages and salaries	57,239	178,311
Social security costs (net of SMP)	4,308	14,933
	<u>61,547</u>	<u>193,244</u>

The average monthly number of persons employed by the group, including directors, during the year was as follows:

	2003	2002
	No.	No.
Management	2	3
General staff	3	9
	<u>5</u>	<u>12</u>

## Notes to the financial statements

at 31 August 2003

### 7. Interest payable

	2003 £	2002 £
On loans repayable within 5 years and bank advances	410,065	294,846
Other loans	710,209	874,270
	<u>1,120,274</u>	<u>1,169,116</u>

### 8. Taxation

(a) Analysis of charge in year:

	2003 £	2002 £
<i>Current tax</i>		
UK corporation tax on the profit for the year	610,208	523,102
Under/(over) provision in prior years	(964)	(19,946)
<b>Total current tax</b>	<u>609,244</u>	<u>503,156</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	81,791	146,282
<b>Total tax charge for year</b>	<u>691,035</u>	<u>649,438</u>

(b) Factors affecting tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	3,325,114	2,250,566
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	<u>997,534</u>	<u>675,171</u>
<i>Effects of:</i>		
Profit on sale of non qualifying assets	(278,128)	-
Indexation allowance	165,967	-
Non deductible provision for diminution in value of investment property	119,704	-
Expenses not deductible for tax purposes	2,565	4,568
Capital allowances in advance of depreciation	(81,783)	(146,282)
Adjustments to tax charge in respect of previous years	(964)	(19,946)
Utilisation of tax losses	(315,651)	-
Others	-	(10,355)
<b>Current tax for the year (note 8(a))</b>	<u>609,244</u>	<u>503,156</u>

## Notes to the financial statements

at 31 August 2003

### 8. Taxation (continued)

#### (c) Factors affecting future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided at the year end is approximately £2.7m (2002 - £2.3m). At present it is not envisaged that any tax will become payable in the foreseeable future.

### 9. Profit for the financial year

In accordance with the exemptions allowed by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account. Of the profit for the financial year, £2,724,971 (2002 - £1,589,549) has been dealt with in the financial statements of the company.

### 10. Dividend

	2003 £	2002 £
Proposed final dividend	255,625	255,625

### 11. Tangible fixed assets

#### Group

	Freehold and long leasehold investment properties £	Fixtures, fittings, equipment and motor vehicles £	Total £
Cost or valuation:			
At 1 September 2002	49,225,000	186,952	49,411,952
Additions	1,586	1,140	2,726
Disposals	(2,965,000)	(140,576)	(3,105,576)
Revaluation increase	1,627,427	-	1,627,427
Diminution	(399,013)	-	(399,013)
At 31 August 2003	47,490,000	47,516	47,537,516
Depreciation:			
At 1 September 2002	-	145,389	145,389
Charge for the year	-	4,846	4,846
Disposals	-	(106,948)	(106,948)
At 31 August 2003	-	43,287	43,287
Net book amounts:			
At 31 August 2003	47,490,000	4,229	47,494,229
At 1 September 2002	49,225,000	41,563	49,266,563



## Notes to the financial statements

at 31 August 2003

## 11. Tangible fixed assets (continued)

Company

	<i>Freehold and long leasehold investment properties</i>	<i>Fixtures, fittings, equipment and motor vehicles</i>	<i>Total</i>
	£	£	£
Cost or valuation:			
At 1 September 2002	49,225,000	47,376	49,272,376
Additions	1,586	1,140	2,726
Disposals	(2,965,000)	(1,000)	(2,966,000)
Revaluation increase	1,627,427	–	1,627,427
Diminution	(399,013)	–	(399,013)
At 31 August 2003	47,490,000	47,516	47,537,516
Depreciation:			
At 1 September 2002	–	41,191	41,191
Charge for the year	–	2,596	2,596
Disposals	–	(500)	(500)
At 31 August 2003	–	43,287	43,287
Net book amounts:			
At 31 August 2003	47,490,000	4,229	47,494,229
At 1 September 2002	49,225,000	6,185	49,231,185

All of the UK investment properties owned by the group were professionally valued by Smith Melzack Pepper Angliss, Property Consultants and Valuation Surveyors, on an open market basis at 31 August 2003.

No provision has been made for taxation on capital gains which would arise if the group were to dispose of investment properties at their book values (see note 8c).

In respect of investment properties, which are stated at open market value, the historical cost to the group of the properties is as follows:

	2003	2002
	£	£
Properties held by the company	28,793,969	29,428,073

## Notes to the financial statements

at 31 August 2003

### 12. Investments

#### *Group*

	<i>Listed shares £</i>
Cost or valuation:	
At 1 September 2002	—
Acquired during the year	200,000
Provision	(5,661)
Net book value at 31 August 2003	194,339

#### *Company*

	<i>Subsidiary undertaking £</i>	<i>Listed shares £</i>	<i>Total £</i>
Cost or valuation:			
At 1 September 2002	439,337	—	439,337
Acquired during the year	—	200,000	200,000
Disposal	(248,766)	—	(248,766)
Provision	(172,572)	(5,661)	(178,233)
	17,999	194,339	212,338

All subsidiary undertakings are dormant.

## Notes to the financial statements

at 31 August 2003

### 12. Investments (continued)

*Disposal of Robt. Hawkins (Contractors) Ltd*

On 30 November 2002 the group completed the sale of Robt. Hawkins (Contractors) Ltd. The disposal is analysed as follows:-

	£
Net assets disposed of:	
Tangible fixed assets	33,734
Stock	164,093
Debtors	325,035
Cash	89,608
Creditors	(206,912)
	<hr/>
	405,558
Group profit on disposal	500,000
	<hr/>
	905,558
	<hr/>
Satisfied by:-	
Cash	655,558
Listed investment	200,000
Cash held on retention	50,000
	<hr/>
	905,558
	<hr/>

### 13. Stocks

Group	2003 £	2002 £
Work in progress	—	167,506

### 14. Debtors

	2003 £	Group 2002 £	2003 £	Company 2002 £
Trade debtors	—	318,693	—	—
Other debtors	81,194	38,126	81,194	38,126
Prepayments and accrued income	3,778	10,428	3,778	2,806
	<hr/>	<hr/>	<hr/>	<hr/>
	84,972	367,247	84,972	40,932
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the financial statements

at 31 August 2003

## 15. Trade and other creditors

	2003	Group 2002	2003	Company 2002
	£	£	£	£
Trade creditors	–	37,182	–	–
Other creditors	61,952	85,476	61,952	59,970
Taxation and social security	82,343	131,360	82,343	76,905
Accruals and deferred income	665,720	720,983	665,720	654,054
	<u>810,015</u>	<u>975,001</u>	<u>810,015</u>	<u>790,929</u>

## 16. Loans

<i>Group and company</i>	2003 £	2002 £
Not wholly repayable within 5 years:		
8.19% mortgage redeemable on 12 November 2017	1,125,000	1,185,000
8.19% mortgage redeemable on 12 November 2017	1,625,000	1,715,000
11.375% debenture stock 2012	2,000,000	2,000,000
7.5% loan repayable on 27 August 2012	–	3,000,000
6.13% mortgage redeemable on 1 October 2021	4,000,000	4,000,000
	<u>8,750,000</u>	<u>11,900,000</u>
Wholly repayable within 5 years:		
4.5% bank loan repayable 28 March 2008	2,700,000	–
11.58% mortgage redeemable on 1 October 2006	1,356,390	1,380,730
5.149% mortgage redeemable on 1 October 2006	–	1,800,000
4.5% loans from shareholders, directors and their families	669,000	611,759
	<u>13,475,390</u>	<u>15,692,489</u>
Less: included in creditors: amounts falling due within one year	<u>474,340</u>	<u>615,099</u>
	<u>13,001,050</u>	<u>15,077,390</u>
Amounts repayable:		
In one year or less, or on demand	474,340	615,099
In more than one year but not more than two years	474,340	574,340
In more than two years but not more than five years	3,857,710	2,782,050
	<u>4,806,390</u>	<u>3,971,489</u>
In more than 5 years	8,669,000	11,721,000
	<u>13,475,390</u>	<u>15,692,489</u>

The bank loan shown above is set at a variable rate of 1% above Base Rate.

All loans, except those repayable on demand, are secured against specific properties.

## Notes to the financial statements

at 31 August 2003

### 16. Loans

#### Fair value of loans

	<i>Book value 2003 £</i>	<i>Fair value 2003 £</i>	<i>Book value 2002 £</i>	<i>Fair value 2002 £</i>
Long term borrowings	13,001,050	14,068,627	15,077,390	16,309,467

The fair value of long terms loans has been calculated by discounting the expected future cash flows arising under the company's loan arrangements at the bank swap rate at each year end.

### 17. Share capital

	<i>2003 £</i>	<i>Authorised 2002 £</i>	<i>Allotted, called up and fully paid 2003 £</i>	<i>2002 £</i>
Ordinary shares of £1 each	1,500,000	1,500,000	409,000	409,000

### 18. Contingent liabilities

There is a contingent liability in respect of warranties given on the sale of the former subsidiary, Robt. Hawkins (Contractors) Ltd, although these are not expected to materialise.

## Notes to the financial statements

at 31 August 2003

## 19. Reconciliation of movements in shareholders' funds

<i>Group</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£	£
As restated at 31 August 2001	409,000	6,148	16,810,710	10,341,135	27,566,993
Revaluation of property			2,986,218		2,986,218
Profit for the year				1,601,128	1,601,128
Dividend				(255,625)	(255,625)
At 31 August 2002	409,000	6,148	19,796,928	11,686,638	31,898,714
Property revaluation			1,627,427		1,627,427
Property disposal			(2,329,310)	2,329,310	-
Sale of subsidiary				(43,840)	(43,840)
Profit for the year				2,634,079	2,634,079
Dividend				(255,625)	(255,625)
At 31 August 2003	409,000	6,148	19,095,045	16,350,562	35,860,755
<i>Company</i>					
At 31 August 2001	409,000	6,148	14,274,822	12,753,870	27,443,840
Revaluation of property			2,986,218		2,986,218
Profit for the year				1,589,549	1,589,549
Dividend				(255,625)	(255,625)
At 31 August 2002	409,000	6,148	17,261,040	14,087,794	31,763,982
Property revaluation			1,627,427		1,627,427
Property disposal			(1,522,131)	1,522,131	-
Profit for the year				2,724,971	2,724,971
Dividend				(255,625)	(255,625)
At 31 August 2003	409,000	6,148	17,366,336	18,079,271	35,860,755

The company's profit and loss account balance of £18,079,271 as at 31 August 2003 (2002 - £14,087,794) includes non-distributable reserves of £2,562,471 (2002 - £3,369,649).

## Notes to the financial statements

at 31 August 2003

### 20. Provisions for liabilities and charges

#### Group and Company

The deferred tax included in the balance sheet is as follows:

	2003 £	2002 £
Accelerated capital allowances	1,068,392	986,601
	£	
Provision as restated at start of year	986,601	
Deferred tax charge in profit and loss account for the year (note 8)	81,791	
Provision at end of year	1,068,392	

### 21. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2003 £	2002 £
Operating profit	3,346,101	3,393,215
Depreciation	4,846	13,582
Decrease in stocks and work in progress	3,413	154,356
(Increase)/decrease in debtors	(92,760)	260,578
Increase/(decrease) in creditors	105,344	(26,820)
Net cash inflow from operating activities	3,366,944	3,794,911

(b) Analysis of net debt:

	At 31 August 2002 £	Cash flow £	At 31 August 2003 £
Cash at bank and in hand	289,252	3,730,498	4,019,750
Loans	(15,692,489)	2,217,099	(13,475,390)
	(15,403,237)	5,947,597	(9,455,640)