
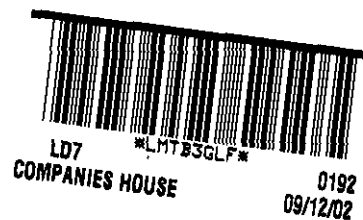


FAIRHOLME ESTATES (HOLDINGS) LIMITED

Report and Accounts

31 August 2002

 ERNST & YOUNG



# Fairholme Estates (Holdings) Limited

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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  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## **BANKERS**

HSBC Bank plc  
140 Leadenhall Street  
London EC3V 4PS

## **SOLICITORS**

Berwin Leighton Paisner  
Adelaide House  
London Bridge  
London EC4R 9HA

## **REGISTERED OFFICE**

Fairholme House  
296 Latimer Road  
Kensington  
London W10 6QW

# Fairholme Estates (Holdings) Limited

## DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended 31 August 2002.

### RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £1,601,128 (2001 – restated £1,572,414) and is dealt with as shown in the consolidated profit and loss account. The directors proposed a dividend of £255,625 (2001 – £255,625) in respect of the year ended 31 August 2002.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The activities of the group consist of general contracting and property investment. There have been no changes in the structure of the group which continues to trade satisfactorily.

### FIXED ASSETS

All of the UK investment properties owned by the group have been revalued by Smith Melzack Pepper Anglis, Property Consultants and Valuation Surveyors, on an open market basis. The resultant adjustment has been made to revaluation reserve.

### POST BALANCE SHEET EVENTS

Subsequent to the year end, the company sold its investment in Robt. Hawkins (Contractors) Limited, for a consideration in excess of net asset value.

### 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 2002</i>	<i>31 August 2001</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.

# Fairholme Estates (Holdings) Limited

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## 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

3 December 2002.

## Fairholme Estates (Holdings) Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts 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 accounts 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.

**REPORT OF THE INDEPENDENT AUDITORS**  
to the members of Fairholme Estates (Holdings) Limited

We have audited the group's accounts for the year ended 31 August 2002 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the balance sheet, the consolidated statement of cash flows and the related notes 1 to 21. These accounts have been prepared on the basis of the accounting policies set out therein.

**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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts 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 accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 August 2002 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*  
Ernst & Young LLP  
Registered Auditor  
London

*4 December 2002*

# Fairholme Estates (Holdings) Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 2002

	Notes	2002 £	Restated 2001 £
<b>TURNOVER</b>	2,3	7,334,517	6,244,032
Cost of sales		3,078,727	2,264,697
<b>GROSS PROFIT</b>		4,255,790	3,979,335
Administrative expenses		(862,575)	(830,699)
Other operating income		-	357,502
<b>NET OPERATING INCOME</b>		3,393,215	3,506,138
Loss on disposal of tangible fixed assets		(4,154)	(178,987)
<b>OPERATING PROFIT</b>	4	3,389,061	3,327,151
Other interest receivable and similar income		30,621	33,003
Interest payable and similar charges	7	(1,169,116)	(1,027,570)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	2,250,566	2,332,584
Taxation	8	649,438	760,170
<b>PROFIT FOR THE FINANCIAL YEAR</b>		1,601,128	1,572,414
Dividend	10	255,625	255,625
<b>RETAINED PROFIT FOR THE YEAR</b>		1,345,503	1,316,789

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2002 £	2001 £
Profit for the year		1,601,128	1,572,414
Unrealised surplus on revaluation of investment properties		2,986,218	3,220,820
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		4,587,346	4,793,234
Prior year adjustment	1,18	(840,319)	-
<b>TOTAL RECOGNISED GAINS DURING THE YEAR</b>		3,747,027	4,793,234

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2002 £	2001 £
Reported profit on ordinary activities before taxation	2,250,566	2,332,584
Realisation of property revaluation gains/losses of previous years	1,427,854	1,427,854
<b>Historical cost profit on ordinary activities before taxation</b>	3,678,420	3,760,438
<b>Retained historical cost profit for the year</b>	2,885,877	2,810,297

# Fairholme Estates (Holdings) Limited

## CONSOLIDATED BALANCE SHEET at 31 August 2002

	Notes	2002 £	Restated 2001 £
<b>FIXED ASSETS</b>			
Tangible assets	11	49,266,563	38,134,950
<b>CURRENT ASSETS</b>			
Stocks	13	167,506	321,862
Debtors	14	367,247	627,825
Cash at bank and in hand		289,252	2,091,105
		824,005	3,040,792
<b>CREDITORS: amounts falling due within one year</b>			
Bank overdraft		-	89,166
Loans	16	615,099	468,433
Trade and other creditors	15	975,001	1,005,975
Taxation		282,138	490,500
Proposed dividend	10	255,625	255,625
		2,127,863	2,309,699
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(1,303,858)	731,093
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		47,962,705	38,866,043
<b>CREDITORS: amounts falling due after more than one year</b>			
Loans	16	15,077,390	10,458,731
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred tax	19	986,601	840,319
		16,063,991	11,299,050
<b>TOTAL ASSETS LESS LIABILITIES</b>		31,898,714	27,566,993
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	409,000	409,000
Share premium account	18	6,148	6,148
Revaluation reserve	18	19,796,928	16,810,710
Profit and loss account	18	11,686,638	10,341,135
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	31,898,714	27,566,993

S S Potel

Director

3 December 2002



# Fairholme Estates (Holdings) Limited

## BALANCE SHEET

at 31 August 2002

	Notes	2002 £	Restated 2001 £
<b>FIXED ASSETS</b>			
Tangible assets	11	49,231,185	38,114,288
Investments	12	273,953	273,953
		<u>49,505,138</u>	<u>38,388,241</u>
<b>CURRENT ASSETS</b>			
Debtors	14	40,932	103,002
Cash at bank and in hand		197,829	2,060,009
		<u>238,761</u>	<u>2,163,011</u>
<b>CREDITORS: amounts falling due within one year</b>			
Overdraft		-	59,000
Trade and other creditors	15	790,929	711,869
Loans	16	615,099	468,433
Taxation		180,382	275,000
Proposed dividend	10	255,625	255,625
		<u>1,842,035</u>	<u>1,769,927</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(1,603,274)</u>	<u>393,084</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>47,901,864</u>	<u>38,781,325</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Amounts owed to subsidiary undertakings		73,891	38,434
Loans	16	15,077,390	10,458,731
		<u>15,151,281</u>	<u>10,497,165</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred tax	19	986,601	840,319
		<u>16,137,882</u>	<u>11,337,484</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>31,763,982</u>	<u>27,443,841</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	409,000	409,000
Share premium account	18	6,148	6,148
Revaluation reserve	18	17,261,040	14,274,823
Profit and loss account	18	14,087,794	12,753,870
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>31,763,982</u>	<u>27,443,841</u>

S S Potel

Director

3 December 2002.

# Fairholme Estates (Holdings) Limited

## CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 August 2002

	Notes	2002 £	2001 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	20(a)	3,794,911	3,426,874
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		30,621	33,003
Interest paid		(1,169,116)	(1,027,570)
		(1,138,495)	(994,567)
<b>TAXATION</b>			
Corporation tax paid (including advance corporation tax)		(711,518)	(553,016)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Payments to acquire tangible fixed assets		(42,099)	(6,051)
Receipts from sales of tangible fixed assets		17,750	-
Payments for investment properties		(8,138,782)	(4,180)
Receipt from sale of investment property		-	1,456,243
		(8,163,131)	1,446,012
<b>EQUITY DIVIDENDS PAID</b>		(255,625)	(255,625)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		(6,478,012)	3,069,678
<b>FINANCING</b>			
New long term loans		6,258,971	296,000
Repayment of long term loans		(1,493,645)	(2,169,340)
		4,765,325	(1,873,340)
<b>(DECREASE)/INCREASE IN CASH</b>	20(b)	(1,712,687)	1,216,338
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>			
	Note	2002 £	2001 £
(Decrease)/increase in cash		(1,712,687)	1,216,338
Cash (inflow)/outflow from net loans		(4,765,325)	1,873,340
Movement in net debt		(6,478,012)	3,089,678
<b>NET DEBT AT 1 SEPTEMBER</b>	20(b)	(8,925,225)	(12,014,903)
<b>NET DEBT AT 31 AUGUST</b>	20(b)	(15,403,237)	(8,925,225)

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 2002

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

In preparing the financial statements for the current year, the company has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment for the company and also therefore the group. Shareholders' funds at 31 August 2000 have been reduced by £774,665 and the tax charge for the year ended 31 August 2001 has been increased by £65,654. The provision for deferred tax has been increased by £840,319 at 31 August 2001. Profit for the current year has been reduced by £146,282 as a result of the change in accounting policy.

#### *Basis of consolidation*

The consolidated profit and loss account and balance sheet incorporate the audited accounts of all subsidiary undertakings for the year ended 31 August 2002.

#### *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 accounts 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.

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 2002

### 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 continuing ordinary activities, stated net of value added tax.

### 3. ANALYSIS OF TURNOVER AND PROFITS BETWEEN ACTIVITIES

	2002 £	Turnover 2001 £	Profit on ordinary activities before taxation	
			2002 £	2001 £
General contracting	3,883,084	2,976,822	360,840	347,906
Property investment	3,451,433	3,267,210	3,023,355	2,621,743
Other operating income	-	-	-	357,502
	<u>7,334,517</u>	<u>6,244,032</u>	<u>3,384,195</u>	<u>3,327,151</u>
Less net interest			(1,133,629)	(994,567)
			<u>2,250,566</u>	<u>2,332,584</u>

Other operating income is the profit made on the sale of land held as stock.

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 2002

### 4. OPERATING PROFIT

This is stated after charging:

	2002	2001
	£	£
Loss on sale of fixed assets	4,154	178,757
Auditors' remuneration	19,000	20,450
Depreciation of tangible fixed assets	13,582	22,282

### 5. EMOLUMENTS OF DIRECTORS

	2002	2001
	£	£
Emoluments	181,077	188,048
Contributions paid to company schemes	50,000	-
Contributions paid to other pension schemes	6,000	5,750
	<u>237,077</u>	<u>193,798</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

	2002	2001
	£	£
Wages and salaries	178,311	170,351
Social security costs	14,933	14,960
	<u>193,244</u>	<u>185,311</u>

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

	2002	2001
	No.	No.
Management	3	3
General staff	9	9
	<u>12</u>	<u>12</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS at 31 August 2002

### 7. INTEREST PAYABLE

	2002	2001
	£	£
On loans repayable within 5 years and bank advances	294,846	147,464
Other loans	874,270	880,106
	<u>1,169,116</u>	<u>1,027,570</u>

### 8. TAXATION

#### (a) Analysis of charge in year:

	2002	Restated 2001
	£	£
<i>Current tax</i>		
UK corporation tax on the profit for the year	523,102	700,500
Under/(over) provision in prior years	(19,946)	(5,984)
<b>Total current tax</b>	<u>503,156</u>	<u>694,516</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	146,282	65,654
<b>Total tax charge for year</b>	<u>649,438</u>	<u>760,170</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:

	2002	Restated 2001
	£	£
Profit on ordinary activities before tax	2,250,566	2,332,584
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	<u>675,170</u>	<u>699,775</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,568	60,319
Capital allowances in advance of depreciation	(146,791)	(66,154)
Adjustments to tax charge in respect of previous years	(19,946)	(5,984)
Others	(9,846)	6,560
<b>Current tax for the year (note 8(a))</b>	<u>503,156</u>	<u>694,516</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 2002

### 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 for the year is approximately £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 £1,589,549 (2001 - £1,880,266) has been dealt with in the accounts of the company.

### 10. DIVIDEND

	2002 £	2001 £
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 2001	38,100,000	225,478	38,325,478
Additions	8,138,782	42,099	8,180,881
Disposals	-	(80,625)	(80,625)
Revaluation surplus	2,986,218	-	2,986,218
At 31 August 2002	49,225,000	186,952	49,411,952
Depreciation:			
At 1 September 2001	-	190,528	190,528
Charge for the year	-	13,582	13,582
Disposals	-	(58,721)	(58,721)
At 31 August 2002	-	145,389	145,389
Net book amounts:			
At 31 August 2002	49,225,000	41,563	49,266,563
At 1 September 2001	38,100,000	34,950	38,134,950

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS at 31 August 2002

### 11. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<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 2001	38,100,000	87,326	38,187,326
Additions	8,138,782	1,245	8,140,029
Disposals	-	(41,195)	(41,195)
Revaluation surplus	2,986,218	-	2,986,218
At 31 August 2002	49,225,000	47,376	49,354,795
Depreciation:			
At 1 September 2001	-	73,038	73,038
Charge for the year	-	4,352	4,352
Disposals	-	(36,199)	(36,199)
At 31 August 2002	-	41,191	41,191
Net book amounts:			
At 31 August 2002	49,225,000	6,185	49,231,185
At 1 September 2001	38,100,000	14,288	38,114,288

All of the UK investment properties owned by the group were professionally valued by Smith Melzack Pepper Anglis, Property Consultants and Valuation Surveyors, on an open market basis at 31 August 2002.

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 19).

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

	<i>2002 £</i>	<i>2001 £</i>
Properties held by the company	29,428,073	21,289,291



# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS at 31 August 2002

### 12. INVESTMENTS

#### Investments in subsidiary undertakings

	£
Cost:	
At 1 September 2001 and 31 August 2002	439,337
Provisions:	
At 1 September 2001 and 31 August 2002	165,384
Net book value:	
At 1 September 2001 and 31 August 2002	273,953

The company's non-dormant subsidiary undertaking at 31 August 2002 was:

Name of company	Shareholding	Nature of business
Robt. Hawkins (Contractors) Limited	100% ordinary shares	Shop maintenance, general contracting and building

### 13. STOCKS

Group	2002 £	2001 £
Work in progress	167,506	321,862

### 14. DEBTORS

	2002 £	Group 2001 £	2002 £	Company 2001 £
Trade debtors	318,693	603,939	-	17,661
Amounts owed by subsidiary undertakings	-	-	-	68,236
Other debtors	38,126	14,451	38,126	14,451
Prepayments and accrued income	10,428	9,435	2,806	2,654
	367,247	627,825	40,932	103,002

### 15. TRADE AND OTHER CREDITORS

	2002 £	Group 2001 £	2002 £	Company 2001 £
Trade creditors	37,182	138,045	-	-
Other creditors	85,476	87,379	59,970	61,905
Taxation and social security	131,360	99,802	76,905	52,093
Accruals and deferred income	720,983	680,749	654,054	597,871
	975,001	1,005,975	790,929	711,869

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 2002

### 16. LOANS

<i>Group and company</i>	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Not wholly repayable within 5 years:		
11.58% mortgage redeemable on 1 October 2006	-	1,405,070
8.19% mortgage redeemable on 12 November 2017	1,185,000	1,245,000
8.19% mortgage redeemable on 12 November 2017	1,715,000	1,805,000
11.375% debenture stock 2012	2,000,000	2,000,000
7.5% loan repayable on 27 August 2012	3,000,000	3,000,000
6.13% mortgage redeemable on 1 October 2021	4,000,000	-
	<u>11,900,000</u>	<u>9,455,070</u>
Wholly repayable within 5 years:		
7% bank loan repayable August 2004	-	900,000
11.58% mortgage redeemable on 1 October 2006	1,380,730	-
5.149% mortgage redeemable on 1 October 2006	1,800,000	-
Deposits by directors and family members	611,759	572,094
	<u>15,692,489</u>	<u>10,927,164</u>
Less: included in creditors: amounts falling due within one year	615,099	468,433
	<u>15,077,390</u>	<u>10,458,731</u>
Amounts repayable:		
On one year or less, or on demand	615,099	468,433
In more than one year but not more than two years	574,340	952,340
In more than two years but not more than five years	2,782,050	923,020
	<u>3,971,489</u>	<u>2,343,793</u>
In more than 5 years	11,721,000	8,583,371
	<u>15,692,489</u>	<u>10,927,164</u>

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

### 17. SHARE CAPITAL

	<i>2002</i>	<i>Authorised</i>	<i>Allotted, called up</i>	<i>and fully paid</i>
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>	<u>409,000</u>	<u>409,000</u>

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 2002

### 18. 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>
	£	£	£	£	£
At 31 August 2000 as previously reported	409,000	6,148	15,017,744	8,371,157	23,804,049
Prior year adjustment				(774,665)	(774,665)
As restated at 31 August 2000	409,000	6,148	15,017,744	7,596,492	23,029,384
Revaluation of property			3,220,820		3,220,820
Disposal of property			(1,427,854)	1,427,854	-
Profit for the year				1,638,068	1,638,068
Prior year adjustment				(65,654)	(65,654)
Dividend				(255,625)	(255,625)
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
<i>Company</i>	<i>Share capital</i>	<i>Share premium account</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£	£
At 31 August 2000 as previously reported	409,000	6,148	12,144,003	10,813,894	23,373,045
Prior year adjustment				(774,665)	(774,665)
As restated at 31 August 2000	409,000	6,148	12,144,003	10,039,229	22,598,380
Revaluation of property			3,220,820		3,220,820
Disposals of property			(1,090,000)	1,090,000	-
Profit for the year				1,945,920	1,945,920
Prior year adjustment				(65,654)	(65,654)
Dividend				(255,625)	(255,625)
As restated at 31 August 2001	409,000	6,148	14,274,823	12,753,870	27,443,841
Revaluation of property			2,986,218		2,986,218
Profit for the year				1,589,549	1,589,549
Dividend payable				(255,625)	(255,625)
At 31 August 2002	409,000	6,148	17,261,041	14,087,794	31,763,983

The company's profit and loss account balance of £14,087,794 as at 31 August 2002 (2001 – restated £12,753,870) includes non-distributable reserves of £3,369,649 (2001 – £3,369,649).

# Fairholme Estates (Holdings) Limited

## NOTES TO THE ACCOUNTS

at 31 August 2002

### 19. PROVISIONS FOR LIABILITIES AND CHARGES

*Group and Company*

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

	2002 £	2001 £
Accelerated capital allowances	986,601	840,319
	£	
Provision as restated at start of year	840,319	
Deferred tax charge in profit and loss account for the year (note 8)	146,282	
Provision at end of year	986,601	

### 20. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2002 £	2001 £
Operating profit	3,393,215	3,327,151
Depreciation	13,582	22,282
Loss on disposal of fixed assets	4,154	178,757
Decrease in stocks and work in progress	154,356	166,073
Decrease/(increase) in debtors	260,578	(256,289)
Decrease in creditors	(30,974)	(11,100)
Net cash inflow from operating activities	3,794,911	3,426,874

(b) Analysis of net debt:

	At 1 September 2001 £	Cash flow £	At 31 August 2002 £
Cash at bank and in hand	2,091,105	(1,801,853)	289,252
Bank overdraft	(89,166)	89,166	-
	2,001,939	(1,712,687)	289,252
Loans	(10,927,164)	(4,765,325)	(15,692,489)
	(8,925,225)	(6,478,012)	(15,403,237)

### 21. POST BALANCE SHEET EVENTS

Subsequent to the year end, the company sold its investment in Robt. Hawkins (Contractors) Limited, for a consideration in excess of net asset value.