

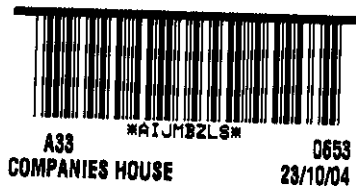
PENDLETON INVESTMENTS LIMITED

FINANCIAL STATEMENTS

PERIOD ENDED

31 DECEMBER 2003

Registered Number: 1229566



Pendleton Investments Limited

Annual report for the period ended 31 December 2003

Contents

Directors' report for the period ended 31 December 2003.....	1
Independent auditors' report to the members of Pendleton Investments Limited	3
Consolidated profit and loss account for the period ended 31 December 2003.....	4
Balance sheets as at 31 December 2003.....	6
Consolidated cashflow statement for the period ended 31 December 2003.....	7
Notes to the financial statements for the period ended 31 December 2003	8

Pendleton Investments Limited

Directors' report for the period ended 31 December 2003

The directors present their report together with the audited financial statements for the period ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company during the period was the holding and management of investments.

The principal activities of the group during the period was operating schools for children between the ages of five and nineteen years with speech and communication problems and also property developers.

On 10 January 2003, the company sold its entire holding in its principal subsidiary, Honormead Schools Limited. The properties from which Honormead Schools Limited operated were sold to that company as part of the transaction.

On the same date, the company also changed its name to Pendleton Investments Limited.

On 9 May 2003, the company acquired the entire share capital of Hamlet Homes Limited, a construction company based in Derby.

Subsequent to the period-end on 16 June 2004, the company sold its entire holding in its subsidiary company, Z R Builders (Derby) Limited.

A summary of the results for the period's trading is given on page 4.

Directors and their interests

The directors who served during the period and their interest in the share capital of the company are as follows:

	£1 ordinary shares	
	2003 Number	2002 Number
S G Brook	139,469	139,469
F Brook	27,659	27,659
A N Gillespie	-	-

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

Pendleton Investments Limited

Directors' responsibilities (continued)

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Dividends

No dividends were paid during the period (2002: £Nil).

Employee involvement

The directors give special attention to the health and safety of their employees. An outline of the health and safety policy is sent out to all employees with contracts. There is a policy regarding the employment of disabled persons. Full and fair consideration of applicants is carried out. Wherever possible, employment of disabled applications for jobs suited for their needs is considered.

Many of our posts, since they are concerned with the management of children with special needs, are not suited to some types of disablement. The company is committed to equal employment but in practice in certain jobs it is not always practical to take disabled persons on. The intention is thereby individual cases have to be judged on their own merit.

There is systematic provision of employee information, regular consultations and meetings so that the view of the employees can be taken into account at all levels.

Auditors

A resolution for the reappointment of Smith Cooper as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



S G Brook
Company secretary

Pendleton Investments Limited

Independent auditors' report to the members of Pendleton Investments Limited

We have audited the financial statements of Pendleton Investments Limited for the period ended 31 December 2003 on pages 4 to 27. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 law and United Kingdom 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 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.

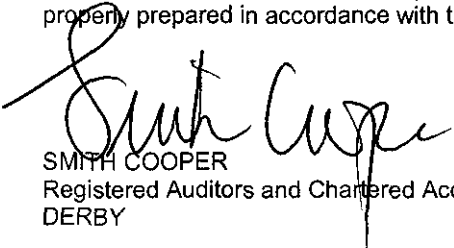
Basis of audit opinion

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the group's and company's affairs at 31 December 2003 and of the profit and cash flow of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


SMITH COOPER
Registered Auditors and Chartered Accountants
DERBY

20 October 2004

Pendleton Investments Limited

Consolidated profit and loss account for the period ended 31 December 2003

	Note	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Turnover	2		
Continuing operations		2,040	734
Acquisitions		2,489	-
		4,529	734
Discontinued operations		4,157	13,264
Turnover		8,686	13,998
Cost of sales	3	(6,216)	(13,462)
Gross profit		2,470	536
Administrative expenses	3	(2,030)	(1,290)
Operating profit/(loss)			
Continuing activities		(550)	(312)
Acquisitions		398	-
Discontinued activities		592	(442)
Group operating profit/(loss)	4	440	(754)
Profit on sale of subsidiary		6,680	-
Profit/(loss) on disposal of fixed assets		1,347	(680)
Amounts written off investment property		(47)	-
Interest and similar items	5	(297)	(375)
Profit/(loss) on ordinary activities before taxation	2	8,123	(1,809)
Taxation	8	(50)	7
Profit/(loss) for the financial period	21	8,073	(1,802)

Pendleton Investments Limited

Statement of recognised gains and losses for the period ended 31 December 2003

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Profit/(loss) for the financial period	8,073	(1,802)
Unrealised gain/(loss) on revaluation of properties	395	(48)
Total losses recognised since last annual report	8,468	(1,850)

Note of historical cost profit and losses

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Reported profit/(loss) on ordinary activities before taxation	8,073	(1,809)
Realisation of property revaluation gains of previous periods	1,648	-
Historical cost profit/(loss) on ordinary activities before taxation	9,721	(1,809)
Historical cost profit/(loss) for the period retained after taxation	9,721	(1,809)

Pendleton Investments Limited

Balance sheets as at 31 December 2003

		Group		Company	
	Note	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Fixed assets					
Intangible assets	10	555	-	-	-
Tangible assets	11	5,116	9,770	3,095	7,532
Investments	12	-	-	722	270
		5,671	9,770	3,817	7,802
Current assets					
Stock	13	1,703	113	-	1
Debtors	14	1,294	1,723	3,255	2,535
Cash at bank		1,811	-	1,585	-
		4,808	1,836	4,840	2,536
Creditors: amounts falling due within one period	15	(2,137)	(10,697)	(619)	(8,543)
Net current assets/(liabilities)		2,671	(8,861)	4,221	(6,007)
Total assets less current liabilities		8,342	909	8,038	1,795
Creditors: amounts falling due after one year	16	(77)	(1,012)	(41)	(1,009)
Provisions for liabilities and charges	18	-	(100)	-	(100)
Net assets		8,265	(203)	7,997	686
Capital and reserves					
Called up share capital	19	283	283	283	283
Revaluation reserve	20	829	2,082	829	2,082
Profit and loss account	21	7,153	(2,568)	6,885	(1,679)
Shareholders' funds	22	8,265	(203)	7,997	686

The financial statements were approved by the board of directors on 20 October 2004



S G Brook
Director

Pendleton Investments Limited

Consolidated cashflow statement for the period ended 31 December 2003

	Note	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Net cash outflow from continuing operating activities	23	(1,247)	(1,605)
Returns on investment and servicing of finance			
Interest paid		(285)	(372)
Interest element of hire purchase payments		(12)	(3)
Net cash outflow from return on investments and servicing of finance		(297)	(375)
Capital expenditure			
Purchase of tangible fixed assets		(237)	(170)
Proceeds from sale of tangible fixed assets		1,704	1,281
Net cash inflow for capital expenditure		1,467	1,111
Acquisitions and disposals			
Purchase of subsidiary undertaking		(722)	-
Cash acquired with subsidiary		2	-
Disposal of subsidiary undertaking		9,355	-
Net cash inflow from acquisitions and disposals		8,635	-
Net cash inflow/(outflow) before financing		8,558	(869)
Financing			
(Decrease)/increase in borrowings		(2,096)	482
Capital element of hire purchase payments		(28)	(48)
Net cashflow from financing		(2,124)	434
Increase/(decrease) in cash in the period	24	6,434	(435)
Reconciliation to net debt			
Opening net debt		(6,692)	(5,811)
Increase/(decrease) in net cash		6,434	(435)
Borrowings acquired with subsidiary		(1,064)	-
Movement in borrowings		2,124	(434)
Other non-cash changes		(82)	(12)
Closing net cash/(debt)		720	(6,692)

Pendleton Investments Limited

Notes to the financial statements for the period ended 31 December 2003

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Compliance with SSAP 19 "Accounting for Investment Properties" requires a departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of this departure is given below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The company does not present its own profit and loss account, as permitted by Section 230 of the Companies Act 1985.

Basis of consolidation

The consolidated financial statements include the results of the company and all its subsidiary undertakings. Intra group sales and profits are eliminated fully on consolidation. The results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or to the date of disposal.

The investment in the associated undertaking is not consolidated on the grounds of materiality.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets required.

Tangible fixed assets

Interest in investment and freehold properties are stated at valuation. The cost of other tangible fixed assets is their purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values, on a reducing balance basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

New freehold buildings	2%
Plant and machinery	10%
Fixtures and fittings	15-20%
Motor vehicles	25%
Portacabins	20%

Pendleton Investments Limited

1 Accounting policies (continued)

Tangible fixed assets – continued

The directors do not consider it appropriate to depreciate either land or old freehold property since, in their opinion, these are historic buildings and any charge to depreciation would be immaterial as the estimated residual value of the buildings is not materially different from the carrying values of the buildings.

No depreciation is provided on investments properties, since the directors consider that annual valuation, in place of depreciation, is necessary in order to give a true and fair view in the financial statements. The directors are of the opinion that the residual value of investment properties is equal to the valuation at the period end.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value and comprises total costs incurred less any provisions for foreseeable losses.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences, using currently enacted tax rates. No discounting is applied to the deferred tax timing differences.

Pension costs

The group contributes to defined contribution pension schemes. All contributions are charged to the profit and loss account in the period in which they are due.

The company provides no other post-retirement benefits to its employees.

Finance leases

Assets obtained under finance leases and hire purchase agreements are capitalised at their fair value on acquisition and depreciated over their useful lives. The finance charges are allocated over the period of the lease on a straight line basis.

Pendleton Investments Limited

2 Turnover

All turnover arose in the United Kingdom.

	Turnover		Profit/(loss) on ordinary activities before taxation	
	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Turnover				
Education	4,722	13,654	661	(378)
Others	1,475	344	7,279	(1,431)
Construction	2,489	-	316	-
	8,686	13,998	8,256	(1,809)

3 Cost of sales, gross profit and administration expenses

	16 months ended 31 December 2003			12 months ended 31 August 2002		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	4,529	4,157	8,686	734	13,264	13,998
Cost of sales	2,873	3,343	6,216	709	12,753	13,462
Gross profit	1,656	814	2,470	25	511	536
Administrative expenses	1,808	222	2,030	337	953	1,290
Group operating profit/(loss)	(152)	592	440	(312)	(442)	(754)

Pendleton Investments Limited

4 Operating profit/(loss)

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets held under finance leases	82	50
Depreciation of tangible owned fixed assets	20	104
Amortisation of goodwill	29	-
Loss on disposal of fixed assets	46	-
Amount written off freehold property	70	-
Auditors' remuneration - audit fee (company £3,000 (2002: £2,000)	12	14
- non audit services	6	7

5 Interest payable and similar charges

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Interest payable on bank loans and overdrafts	285	372
Interest payable on HP finance leases	12	3
Total interest payable	297	375

6 Employee information

Staff costs were as follows:	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Salaries	3,534	10,423
Social security costs	231	665
Other pension costs	82	199
	3,847	11,287

Pendleton Investments Limited

6 Employee information (continued)

The average monthly number of employees (including executive directors) during the period was:

By activity	16 months ended 31 December 2003 Number	12 months ended 31 August 2002 Number
School staff	151	534
Directors and administration	19	53
Maintenance and site	36	42
	206	629

7 Directors' emoluments

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Aggregate emoluments	124	88
Sums paid to third parties for directors' services	62	26
Company contributions to defined contribution scheme	-	12

Retirement benefits are accruing to one director (2002: one) under a defined contribution scheme.

8 Taxation on profit/(loss) for the period

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Current tax		
UK corporation tax at 30% (2002: 30%)	56	-
Deferred taxation		
Origination and reversal of timing differences	(6)	(7)
	50	(7)

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

Pendleton Investments Limited

8 Taxation on profit/(loss) for the period (continued)

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Profit/(loss) on ordinary activities before tax	8,123	(1,809)
Profit/(loss) on ordinary activities multiplied by the the effective rate of 30%	2,443	(543)
Effects of:		
Amounts not eligible for tax purposes	(2,032)	123
Accelerated capital allowances and other timing differences	(140)	37
Utilisation of losses from previous periods	(215)	-
Losses of the period	-	383
Current tax charge for the period	56	-

There is no tax charge for the period on the profit on disposal of the subsidiary undertaking. There is no effect on the tax charge for the period from the profit on disposal of fixed assets which has been off-set by losses for the period and brought forward losses.

9 Results of the holding company

Of the profits attributable to shareholders, £6,916,000 (2002: £1,133,000) is dealt with in the accounts of Pendleton Investments Limited.

Pendleton Investments Limited

10 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 September 2002	119
Additions	584
At 31 December 2003	703
Amortisation	
At 1 September 2002	119
Charge for period	29
At 31 December 2003	148
Net book value	
At 31 December 2003	555
At 31 August 2001	-

The goodwill arising on the acquisition of Hamlet New Homes Limited during the year is being amortised on a straight line basis over 20 years. This is the period over which the directors estimate that the values of the underlying business acquired are expected to exceed the values of the underlying assets.

Pendleton Investments Limited

11 Tangible fixed assets

Group	Freehold properties	Investment property	Porta cabins	Motor vehicles	Fixtures and equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 September 2002	6,718	2,864	182	442	1,194	11,400
Additions	15	4	-	218	82	319
On acquisition of subsidiary	-	-	-	95	44	139
Disposals	(452)	-	-	(166)	(376)	(994)
On disposal of subsidiary	(4,600)	-	(182)	(234)	(785)	(5,801)
Impairment loss	(70)	(47)	-	-	-	(117)
Revaluation	355	40	-	-	-	395
At 31 December 2003	1,966	2,861	-	355	159	5,341
Depreciation						
At 1 September 2002	244	-	168	237	981	1,630
Charge for period	-	-	-	80	22	102
Acquired with subsidiary	-	-	-	29	28	57
On disposal of subsidiary	-	-	(168)	(147)	(637)	(952)
Eliminated on disposals	(244)	-	-	(54)	(314)	(612)
At 31 December 2003	-	-	-	145	80	225
Net book amount						
At 31 December 2003	1,966	2,861	-	210	79	5,116
At 31 August 2002	6,474	2,864	14	205	213	9,770

The net book value of fixed assets includes an amount of £182,000 (2002: £118,000) in respect of assets held under finance leases.

Pendleton Investments Limited

11 Tangible fixed assets - continued

Company	Freehold properties £'000	Investment property £'000	Motor vehicles £'000	Fixtures and equipment £'000	Total £'000
Cost or valuation					
At 1 September 2002	6,534	1,147	132	176	7,989
Additions	-	-	125	29	154
Disposals	(5,052)	-	(107)	(176)	(5,335)
Impairment loss	-	(47)	-	-	(47)
Revaluation	355	40	-	-	395
At 31 December 2003	1,837	1,140	150	29	3,156
Depreciation					
At 1 September 2002	244	-	69	144	457
Charge for period	-	-	34	5	39
Eliminated on disposals	(244)	-	(45)	(146)	(435)
At 31 December 2003	-	-	58	3	61
Net book amount					
At 31 December 2003	1,837	1,140	92	26	3,095
At 31 August 2002	6,290	1,147	63	32	7,532

The net book value of fixed assets includes an amount of £74,000 (2002: £31,000) in respect of assets held under finance leases.

Investment properties

In accordance with SSAP 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of investment properties. The directors consider that this accounting policy results in the accounts giving a true and fair view.

Analysis of land and buildings

Analysis of land and buildings	Group				Company			
	2003		2002		2003		2002	
	Freehold property £'000	Investment property £'000	Freehold property £'000	Investment property £'000	Freehold property £'000	Investment property £'000	Freehold property £'000	Investment property £'000
At cost	-	2,368	2,712	2,364	-	-	2,528	647
At valuation	1,966	1,140	4,006	500	1,837	1,140	4,006	500
	1,966	2,861	6,718	2,864	1,837	1,140	6,534	1,147

Pendleton Investments Limited

11 Tangible fixed assets - continued

Certain freehold and investment properties were valued during the year on the open market basis by independent, qualified valuers. The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. These valuations were incorporated into the financial statements and the resulting surpluses taken to the revaluation reserve and deficits written off to the profit and loss account. The directors consider that the valuations for those properties not independently valued are reasonable as their market values at 31 December 2003.

No provision has been made for any tax or capital gains that might arise on the disposals of the groups properties at their balance sheet amounts (note 18).

If freehold land and buildings were stated on the historical cost basis, the amounts would be:

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
At cost	1,248	7,076	1,049	5,100
Aggregate depreciation	-	(114)	-	(106)
Net book value based on historical cost	1,248	6,962	1,049	4,994

Pendleton Investments Limited

12 Investments

Company	Subsidiary undertakings
	£'000
Cost	
At 1 September 2002	652
Disposals	(60)
Additions	722
At 31 December 2003	1,314
Provision for diminution in value	
At 1 September 2002	382
Amounts written off	210
At 31 December 2003	592
Net book value	
At 31 December 2003	722
At 31 August 2002	270

Interest in group undertakings:

Name of undertaking	Country of registration	Percentage of share capital held	Activities
Honormead Schools Limited	England	100	Teaching
Highglade Builders Limited	England	100	Builders
ZR Builders (Derby) Limited	England	100	Builders
Ridgewood Farm Limited	England	100	Farming
Grangecraft Limited	England	100	Dormant
Adult Specialised Care Limited	England	100	Dormant
Tripose Limited	England	100	Dormant
Bladon House School Limited	England	100	Dormant
Caldwell House School Limited	England	100	Dormant
Colourcard (UK) Limited	England	100	Dormant
Longdon Hall School Limited	England	100	Dormant
Pipewood Limited	England	100	Dormant
The Grange (Derby) Limited	England	100	Dormant
Hamlet New Homes Limited	England	100	Building
Hamlet Housing Limited	England	100	Dormant

Hamlet Housing Limited is held by Hamlet New Homes Limited, all other subsidiaries are held directly by the company. It is proposed that an application be made for certain dormant subsidiaries to be struck off. The cost of the investment in these subsidiaries has therefore been written off.

Pendleton Investments Limited

13 Stock

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Raw materials	-	11	-	1
Work in progress	1,688	86	-	-
Finished goods	15	16	-	-
	1,703	113	-	1

14 Debtors

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Amounts falling due within one year				
Trade debtors	371	1,403	11	45
Amounts due from subsidiary undertakings	-	-	2,464	2,302
Other debtors	734	210	599	82
Directors' loan account	74	-	74	-
Prepayments and accrued income	6	7	4	3
Deferred tax (note 18)	6	-	-	-
Corporation tax recoverable	103	103	103	103
	1,294	1,723	3,255	2,535

Pendleton Investments Limited

15 Creditors: amounts falling due within one year

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Bank and other borrowings (note 17)	969	5,628	30	2,885
Trade creditors	458	383	26	2
Amounts due to group undertakings	-	-	-	5,348
Finance leases	45	52	25	19
Other taxes and social security	122	205	94	44
Corporation tax	58	-	-	-
Proposed dividends	27	27	27	27
Other creditors	207	3,959	22	2
Accruals and deferred income	251	443	395	216
	2,137	10,697	619	8,543

16 Creditors: amounts falling due after more than one year

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Bank and other borrowings (note 17)	-	996	-	996
Finance leases	77	16	41	13
	77	1,012	41	1,009

Pendleton Investments Limited

17 Loans and other borrowings

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Bank overdrafts and loans	939	6,544	-	3,801
Other loans	30	80	30	80
Finance leases	122	68	66	32
	1,091	6,692	96	3,913

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Maturity of debt				
In one year or less	969	5,628	30	2,885
Between one and two years	-	190	-	190
Between two and five years	-	450	-	450
After five years	-	356	-	356
	969	6,624	30	3,881

The bank loans and overdrafts are secured by fixed charges over a number of the group freehold properties. There is also a series of unlimited cross guarantees between certain group companies in favour of the group's bankers.

Other loans comprise a loan of £30,000 (2002: £80,000) made by Mrs B W Brook secured on the assets of the company and repayable at £40,000 per annum commencing on 29 March 1998. The loan bears interest at 2% above LIBOR.

Finance leases

Future minimum payments under HP and leases are as follows:

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Within one year	45	52	25	19
Between one and two years	77	16	41	13
	122	68	66	32

Pendleton Investments Limited

18 Provisions for liabilities and charges

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Deferred taxation	-	-	-	-
Other	-	100	-	100
	-	100	-	100

	Deferred taxation Group £'000	Company £'000
Credited to profit and loss account and at 31 December 2003 (Note 14)	6	-

	Group		Company	
	31 December 2003 £'000	31 August 2002 £'000	31 December 2003 £'000	31 August 2002 £'000
Deferred taxation comprises				
Accelerated capital allowances	(119)	(181)	(116)	(151)
Losses	(69)	(943)	(30)	(220)
Capital losses	(51)	(209)	-	(110)
	(239)	(1,333)	(146)	(481)

The deferred tax asset amount excludes any capital gains which might arise on the disposal of properties. The only part of the deferred taxation asset as at 31 December 2003 recognised in the financial statements relates to accelerated capital allowances in a subsidiary company. The balance of the asset at 31 December 2003 and the asset at 31 August 2002 has not been recognised in the financial statements.

	Other £'000
1 September 2002	100
Amount utilised	(54)
Amount released	(46)
	-

The other provision was in respect of legal fees in connection with claims made against a subsidiary company in previous years. The claims have been settled and all fees relating to these have been paid during the year. The unutilised provision has been released to the profit and loss account.

Pendleton Investments Limited

19 Called up share capital

	31 December 2003 £'000	31 August 2002 £'000
Authorised		
300,000 ordinary £1 shares	300	300
Issued and fully paid		
282,800 ordinary £1 shares	283	283

20 Revaluation reserve

	Group £'000	Company £'000
At 1 September 2002	2,082	2,082
Revaluation in period	395	395
Realised in period	(1,648)	(1,648)
At 31 December 2003	829	829

21 Profit and loss account

	Group £'000	Company £'000
At 1 September 2002	(2,568)	(1,679)
Profit for the period	8,073	6,916
Transfer from revaluation reserve	1,648	1,648
At 31 December 2003	7,153	6,885

22 Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Profit/(loss) for the period	8,073	(1,802)
Other recognised gains/(losses) relating to the period	395	(48)
Opening shareholders' funds	(203)	1,647
Closing shareholders' funds	8,265	(203)

Shareholder's funds include a £100 non-equity minority interest in Hamlet New Homes Limited.

Pendleton Investments Limited

23 Cashflow from operating profit

	16 months ended 31 December 2003 £'000	12 months ended 31 August 2002 £'000
Continuing operations		
Operating profit/(loss)	(151)	(312)
Depreciation charge	79	85
Amortisation of goodwill	29	-
Loss on disposal of fixed assets	46	-
Amount written off fixed assets	70	-
(Increase) in stocks	(166)	(7)
(Increase)/decrease in debtors	(717)	(1,216)
Increase in creditors	280	390
(Decrease) in provisions	(100)	-
Net cashflow from continuing operations	(630)	(1,060)
Discontinued operations		
Operating profit/(loss)	592	(442)
Depreciation charge	23	69
Decrease in stocks	-	1
(Increase)/decrease in debtors	(33)	1,289
(Decrease) in creditors	(1,199)	(1,462)
Net cashflow from discontinued operations	(617)	(545)
Total net cashflow from operating activities	(1,247)	(1,605)

Pendleton Investments Limited

24 Reconciliation of movements in net debt

	At 01.09.2002	Acquisitions (exc cash & overdrafts)	Cashflow	Other non- cash changes	At 31.12.03
	£'000	£'000	£'000	£'000	£'000
Cash at bank	-	-	1,811	-	1,811
Overdrafts	(4,623)	-	4,623	-	-
			6,434		
Debt due within one year	(1,005)	(1,064)	1,100	-	(969)
Debt due after one year	(996)	-	996	-	-
Finance leases	(68)	-	28	(82)	(122)
Total	(6,692)	(1,064)	8,558	(82)	720

25 Contingent liabilities

The company has given an unlimited guarantee to secure the banks borrowings of other companies in the group. At 31 December 2003 group borrowing amounts to £939,000 (2002: £6,559,000).

26 Transactions with related parties

The company has taken advantage of the exemptions in FRS8 not to report transactions with companies which are at least 90% owned by the group.

During the period, the group has undertaken the following transactions in which S G Brook has an interest as a shareholder and director:

- Rent of £26,670 (2002: £20,004) was charged by the company to Grangecraft (Garden Centre) Limited. This company also acquired a van for £200 from Pendleton Investments Limited. At the year end £30,869 (2002:£9,769) was owed to and £978 was due from Pendleton Investments Limited.
- The overdraft facility and loan of Grangecraft (Garden Centre) Limited are guaranteed by a limited guarantee of £100,000.
- During the year, Grangecraft (Garden Centre) Limited purchased services for £4,286 from ZR Builders Limited. At the year end £3,513 (2002:£626) was due to ZR Builders Limited.
- During the period, rent of £333,333 (2002: £118,750) was charged by the group to Autism (GB) Limited, a company in which Mrs R Brook, wife of S G Brook a director of the company, is a 40% shareholder. There was no balance outstanding from Autism GB at 31 December 2003 (2002: £Nil). At 31 December 2003 there was a balance of £181,346 included in work in progress in a subsidiary in respect of work done for Autism (GB) Limited.

Pendleton Investments Limited

26 Transactions with related parties (continued)

The group also undertook the following related party transactions during the period:

- a) During the period, the company made payments of £62,340 (2002: £26,250) to Neil Gillespie Business Developments Limited, a company controlled by A N Gillespie, in respect of his fees as a director. £Nil was owing to this company at 31 December 2003 (2002: £3,804).
- b) During the period the company made a loan to S Brook, a director. The maximum balance outstanding on this loan during the year was £368,000. At 31 December 2003 there was an amount of £11,000 outstanding (2002: £5,000). This loan is unsecured, interest free and has no fixed repayment date.
- c) At 31 December 2003 there was an amount of £20,000 due to the company from F Brook, a director (2002: £13,000). This loan is unsecured, interest free and has no fixed repayment date.
- d) During the period amounts of £40,959 due from S Brook, a director, and his family and £6,037 due from N Gillespie, a director were written off by a subsidiary company.
- e) At 31 December 2003 there was an amount of £43,000 due to the company from V Gottschald a shareholder, which was also the maximum outstanding during the year. This loan is unsecured, interest free and has no fixed repayment date.

27 Capital commitments

The company and group had no capital commitments at 31 December 2003 (2002: £Nil).

28 Pension costs

The company contributes to defined contribution pension schemes covering the majority of its permanent employees, the assets of which are held separately from the company in an independently administered fund. Contributions to the scheme during the period amounted to £82,000 (2002: £199,000).

29 Subsequent events

Subsequent to the period end on 16 June 2004, the company sold its entire holding in a subsidiary company, ZR Builders (Derby) Limited.

30 Ultimate controlling party

There is not considered to be any individual party controlling Pendleton Investments Limited.

Pendleton Investments Limited

31 Acquisitions and disposals

(a) Acquisition of Hamlet New Homes Limited

On 9 May 2003, the company acquired the entire share capital of Hamlet New Homes Limited for a total consideration of £722,000. There were no adjustments required to the assets acquired in order to present them at fair value. The purchase has been accounted for as an acquisition.

From the date of acquisition to 31 December 2003, the acquisition contributed £2,489,000 to turnover, £440,000 to profit before interest and £316,000 to profit after interest. In its last financial period to 31 January 2003, Hamlet New Homes Limited made a profit after taxation of £5,000. For the period from that date to the date of acquisition, Hamlet New Homes Limited made a loss before tax of £292,000.

The assets and liabilities acquired were as follows:

	Book value and fair value £'000
Tangible fixed assets	82
Stock	1,434
Debtors	87
Cash at bank	2
Creditors	(403)
Loans and borrowings	(1,064)
Net assets acquired	138
Goodwill (note 10)	584
Consideration	722
Consideration satisfied by:	
Cash	722

(a) Disposal of Honormead Schools Limited

	£'000
Tangible fixed assets	4,826
Stock	10
Debtors	1,276
Creditors	(3,457)
	2,655
Profit on disposal	6,700
Cash consideration (net of costs)	9,355

Honormead Schools Limited utilised £617,000 of net operating cash flows.