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PENDLETON INVESTMENTS LIMITED

(formerly Honormead Limited)

FINANCIAL STATEMENTS

YEAR ENDED

31 AUGUST 2002

Registered Number: 1229566



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Pendleton Investments Limited
(formerly Honormead Limited)

Annual report
for the year ended 31 August 2002

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Pendleton Investments Limited **(formerly Honormead Limited)**

Directors' report for the year ended 31 August 2002

The directors present their report together with the audited financial statements for the year ended 31 August 2002.

Principal activities and review of the business

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

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

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

Subsequent to the year-end, 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.

This transaction generated sufficient funds to eliminate all the group's borrowings and leave surplus cash balances within the group.

On 9 May 2003, part of the funds from this disposal were used to acquire the entire share capital of Hamlet Homes Limited, a construction company based in Derby. This acquisition represents the first of a planned investment policy into businesses which operate generally within the construction and property development industry.

The directors consider that the company is now well placed to expand into this market. It already has a substantial investment in properties and available cash funds to fund future acquisitions as they become available.

On this basis, the directors consider it appropriate to prepare these financial statements on a going concern basis.

On 10 January 2003, the company also changed its name to Pendleton Investments Limited.

Directors and their interests

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

	£1 ordinary shares	
	2002 Number	2001 Number
S G Brook	139,469	139,469
F Brook	27,659	27,659
A N Gillespie	-	-

Pendleton Investments Limited (formerly Honormead Limited)

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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.

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 year ended 31 August 2002 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

The directors do not recommend the payment of a dividend for the year (2001: £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

PricewaterhouseCoopers were replaced as auditors to the company during the year by Smith Cooper.

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 (formerly Honormead Limited)

Independent auditors' report to the members of Pendleton Investments Limited

We have audited the financial statements of Pendleton Investments Limited for the year ended 31 August 2002 on pages 4 to 23. 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.

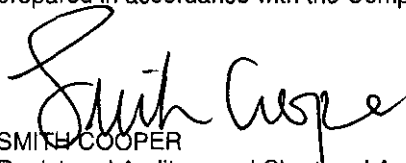
Basis of audit opinion

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 August 2002 and of the loss and cashflow of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


SMITH COOPER
Registered Auditors and Chartered Accountants
DERBY

20 June 2003

Pendleton Investments Limited
(formerly Honormead Limited)

Consolidated profit and loss account
for the year ended 31 August 2002

	Note	2002 £'000	2001 £'000
Turnover	2	13,998	17,159
Cost of sales		(13,462)	(16,839)
Gross profit		536	320
Administrative expenses		(1,290)	(2,965)
Operating (loss)	3	(754)	(2,645)
Loss on disposal of fixed assets		(680)	-
Interest and similar items	4	(375)	(279)
(Loss) on ordinary activities before taxation		(1,809)	(2,924)
Taxation	7	7	133
(Loss) for the financial year	20	(1,802)	(2,791)

All amounts relate to continuing operations.

Statement of recognised gains and losses for the year ended 31 August 2002

	2002 £'000	2001 £'000
(Loss) for the financial year	(1,802)	(2,791)
Unrealised loss on revaluation of properties	(48)	-
Total losses recognised since last annual report	(1,850)	(2,791)

Note of historical cost profit and losses

	2002 £'000	2001 £'000
Reported loss on ordinary activities before taxation	(1,809)	(2,924)
Realisation of property revaluation gains of previous years	85	-
Historical cost loss on ordinary activities before taxation	(1,724)	(2,924)
Historical cost loss for the year retained after taxation	(1,717)	(2,791)

Pendleton Investments Limited
(formerly Honormead Limited)

Balance sheets
as at 31 August 2002

		Group		Company	
	Note	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Fixed assets					
Tangible assets	10	9,770	11,751	7,532	8,859
Investments	11	-	-	270	60
		9,770	11,751	7,802	8,919
Current assets					
Stock	12	113	107	1	1
Debtors	13	1,723	1,796	2,535	2,398
		1,836	1,903	2,536	2,399
Creditors: amounts falling due within one year	14	(10,697)	(10,626)	(8,543)	(8,209)
Net current liabilities		(8,861)	(8,723)	(6,007)	(5,810)
Total assets less current liabilities		909	3,028	1,795	3,109
Creditors: amounts falling due after one year	15	(1,012)	(1,274)	(1,009)	(1,242)
Provisions for liabilities and charges	17	(100)	(107)	(100)	-
Net assets		(203)	1,647	686	1,867
Capital and reserves					
Called up share capital	18	283	283	283	283
Revaluation reserve	19	2,082	2,215	2,082	2,215
Profit and loss account	20	(2,568)	(851)	(1,679)	(631)
Equity shareholders' funds	21	(203)	1,647	686	1,867

The financial statements were approved by the board of directors on 20 June 2003

S. G. Brook

S G Brook
Director

Pendleton Investments Limited
(formerly Honormead Limited)

Consolidated cashflow statement
for the year ended 31 August 2002

	Note	2002 £'000	2001 £'000
Net cash outflow from continuing operating activities	22	(1,605)	(2,346)
Returns on investment and servicing of finance			
Interest paid		(372)	(272)
Interest element of hire purchase payments		(3)	(7)
Net cash outflow from return on investments and servicing of finance		(375)	(279)
Taxation		-	20
Capital expenditure			
Purchase of tangible fixed assets		(170)	(545)
Proceeds from sale of tangible fixed assets		1,281	29
Net cash inflow/(outflow) for capital expenditure		1,111	(516)
Net cash outflow before financing		(869)	(3,121)
Financing			
Increase/(decrease) in borrowings		482	(229)
Capital element of hire purchase payments		(48)	9
Net cashflow from financing		434	(220)
Decrease in cash in the year	23	(435)	(3,341)
Reconciliation to net debt			
Opening net debt		(5,811)	(2,690)
Decrease in net cash		(435)	(3,341)
Movement in borrowings		(434)	220
Other non-cash changes		(12)	-
Closing net debt		(6,692)	(5,811)

Pendleton Investments Limited (formerly Honormead Limited)

Notes to the financial statements for the year ended 31 August 2002

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.

The company meets its day-to-day working capital requirements through a combination of overdraft and longer term loans. The overdraft is repayable on demand. At the balance sheet date group overdraft and loans amounted to £6,559,000. As explained in the Directors' Report, subsequent to the year-end, 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. This transaction generated sufficient funds to eliminate all the group's borrowings and leave surplus cash balances within the group.

On this basis the directors consider the going concern basis is appropriate.

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 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 (formerly Honormead 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 year 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.

Capitalisation of interest

Interest incurred on borrowings to finance property developments is capitalised up to the date of completion of the development.

Grants

Revenue grants are credited to the profit and loss account when received.

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 company operates four 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 **(formerly Honormead Limited)**

2 Turnover

All turnover arose in the United Kingdom.

	Turnover		(Loss) on ordinary activities before taxation	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Turnover				
Education	13,654	16,947	(378)	(2,482)
Others	344	212	(1,431)	(442)
	13,998	17,159	(1,809)	(2,924)

3 Operating loss

	2002 £'000	2001 £'000
Operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets held under finance leases	50	12
Depreciation of tangible owned fixed assets	104	197
Loss on disposal of fixed assets	680	-
Auditors' remuneration - audit fee (company £2,000 (2001: £2,000))	14	17
- non audit services	7	28

4 Interest payable and similar charges

	2002 £'000	2001 £'000
Interest payable on bank loans and overdrafts	372	272
Interest payable on HP finance leases	3	7
Total interest payable	375	279

Pendleton Investments Limited
(formerly Honormead Limited)

5 Employee information

Staff costs were as follows:	2002 £'000	2001 £'000
Salaries	10,423	10,782
Social security costs	665	834
Other pension costs	199	202
	11,287	11,818

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

By activity	2002 Number	2001 Number
School staff	534	740
Directors and administration	53	53
Maintenance	42	43
	629	836

6 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	88	102
Sums paid to third parties for directors' services	26	62
Company contributions to defined contribution scheme	12	-

Retirement benefits are accruing to one director (2001: none) under a defined contribution scheme.

7 Taxation on loss for the year

	2002 £	2001 £
Current tax		
UK corporation tax at 30% (2001: 30%)	-	(87)
Deferred taxation		
Origination and reversal of timing differences	(7)	(46)
	(7)	(133)

Pendleton Investments Limited **(formerly Honormead Limited)**

7 Taxation on loss for the year (continued)

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 £'000	2001 £'000
Loss on ordinary activities before tax	(1,809)	(2,924)
Loss on ordinary activities multiplied by the the effective rate of 30%	(543)	(877)
Effects of:		
Expenses not deductible for tax purposes	123	58
Accelerated capital allowances and other timing differences	37	40
Losses of the year	383	692
Current tax charge for the year	-	(87)

There is no effect on the tax charge for the year as a result of the loss on disposal of fixed assets.

8 Results of the holding company

Of the losses attributable to shareholders, a loss of £1,133,000 (2001: £686,000) is dealt with in the accounts of Pendleton Investments Limited.

9 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 September 2001 and at 31 August 2002	119
Amortisation	
At 1 September 2001 and at 31 August 2002	119
Net book value	
At 31 August 2001 and at 31 August 2002	-

Pendleton Investments Limited (formerly Honormead Limited)

10 Tangible fixed assets

	Freehold properties	Investment property	Porta cabins	Motor vehicles	Fixtures and equipment	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 September 2001	10,934	500	203	488	1,568	13,693
Additions	124	-	-	37	21	182
Disposals	(1,852)	-	(21)	(83)	(395)	(2,351)
Reclassification	(2,440)	2,440	-	-	-	-
Depreciation on reclassification	-	(76)	-	-	-	(76)
Revaluation	(48)	-	-	-	-	(48)
At 31 August 2002	6,718	2,864	182	442	1,194	11,400
Depreciation						
At 1 September 2001	297	-	175	234	1,236	1,942
Charge for year	35	-	4	62	53	154
Reclassification	(76)	-	-	-	-	(76)
Eliminated on disposals	(12)	-	(11)	(59)	(308)	(390)
At 31 August 2002	244	-	168	237	981	1,630
Net book amount						
At 31 August 2002	6,474	2,864	14	205	213	9,770
At 31 August 2001	10,637	500	28	254	332	11,751

The net book value of fixed assets includes an amount of £118,000 (2001: £129,000) in respect of assets held under finance leases.

Pendleton Investments Limited
(formerly Honormead Limited)

10 Tangible fixed assets - continued

	Freehold properties	Investment property	Motor vehicles	Fixtures and equipment	Total
Company	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 September 2001	8,491	500	160	176	9,327
Additions	88	-	14	-	102
Transfer from group company	-	-	-	415	415
Disposals	(1,350)	-	(42)	(415)	(1,807)
Reclassification	(647)	647	-	-	-
Revaluation	(48)	-	-	-	(48)
At 31 August 2002	6,534	1,147	132	176	7,989
Depreciation					
At 1 September 2001	244	-	88	136	468
Charge for year	-	-	17	8	25
Transfer from group company	-	-	-	319	319
Eliminated on disposals	-	-	(36)	(319)	(355)
At 31 August 2002	244	-	69	144	457
Net book amount					
At 31 August 2002	6,290	1,147	63	32	7,532
At 31 August 2001	8,247	500	72	40	8,859

The net book value of fixed assets includes an amount of £31,000 (2001: £70,000) 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.

Pendleton Investments Limited
(formerly Honormead Limited)

10 Tangible fixed assets - continued

Analysis of land and buildings

	Group				Company			
	2002		2001		2002		2001	
	Freehold property	Investment property	Freehold property	Investment property	Freehold property	Investment property	Freehold property	Investment property
Analysis of land and buildings	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost	5,152	-	5,579	-	3,175	-	3,136	-
At valuation	4,006	500	5,355	500	4,006	500	5,355	500
	9,158	500	10,934	500	7,181	500	8,491	500

All freehold and investment properties held at 31 August 1999 were valued in June 1999 on the open market basis by independent, qualified valuers, Salloway & Associates, Surveyors and 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. Subsequent to the year-end several freehold properties were transferred to a subsidiary company and those properties have been valued at the transfer value. The directors consider that the 1999 valuations are reasonable for the remaining properties as market values at 31 August 2002.

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 accounts (note 17).

Freehold properties acquired during the year are stated at cost which the directors consider to be appropriate as the market value.

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

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
At cost	7,076	8,821	5,100	6,379
Aggregate depreciation	(114)	(112)	(106)	(104)
Net book value based on historical cost	6,962	8,709	4,994	6,275

Pendleton Investments Limited (formerly Honormead Limited)

11 Investments

Company	Subsidiary undertakings £'000
Cost	
At 1 September 2001	110
Transfer from group undertaking	542
At 31 August 2002	652
Provision for diminution in value	
At 1 September 2001	50
Transfer from group undertaking	332
At 31 August 2002	382
Net book value	
At 31 August 2002	270
At 31 August 2001	60

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
Tripote 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

During the year all the subsidiaries previously held by another subsidiary were transferred to the company at book value.

Pendleton Investments Limited
(formerly Honormead Limited)

12 Stock

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Raw materials	11	11	1	1
Work in progress	86	60	-	-
Finished goods	16	36	-	-
	113	107	1	1

13 Debtors

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Amounts falling due within one year				
Trade debtors	1,403	1,550	45	15
Amounts due from subsidiary undertakings	-	-	2,302	2,259
Other debtors	210	120	82	18
Prepayments and accrued income	7	23	3	3
Corporation tax recoverable	103	103	103	103
	1,723	1,796	2,535	2,398

Pendleton Investments Limited
(formerly Honormead Limited)

14 Creditors: amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank and other borrowings (note 16)	5,628	4,488	2,885	2,232
Trade creditors	383	777	2	9
Amounts due to group undertakings	-	-	5,348	5,371
Finance leases	52	49	19	5
Other taxes and social security	205	259	44	25
Proposed dividends	27	27	27	27
Other creditors	3,959	4,844	2	467
Accruals and deferred income	443	182	216	73
	10,697	10,626	8,543	8,209

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank and other borrowings (note 16)	996	1,219	996	1,218
Finance leases	16	55	13	24
	1,012	1,274	1,009	1,242

16 Loans and other borrowings

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank overdrafts and loans	6,544	5,627	3,801	3,370
Other loans	80	80	80	80
Finance leases	68	104	32	29
	6,692	5,811	3,913	3,479

Pendleton Investments Limited
(formerly Honormead Limited)

16 Loans and other borrowings – continued

Maturity of debt	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
In one year or less	5,628	4,488	2,885	2,231
Between one and two years	190	227	190	227
Between two and five years	450	600	450	600
After five years	356	392	356	392
	6,624	5,707	3,881	3,450

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.

Included in bank loans is an amount of £87,000 (2001: £145,000) which is payable in equal quarterly instalments of £19,440 and amounts of £1,106,000 (2001: £1,294,000) which are repayable in equal quarterly instalments of £37,500. The loans bear interest based on LIBOR.

Other loans comprise a loan of £80,000 (2001: £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	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Within one year	52	49	19	5
Between one and two years	16	38	13	12
Between two and five years	-	17	-	12
	68	104	32	29

Pendleton Investments Limited
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17 Provisions for liabilities and charges

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Deferred taxation	-	7	-	-
Other	100	100	100	-
	100	107	100	-

	Deferred taxation	
	Group	Company
	£'000	£'000
At 1 September 2001	7	-
Credited to profit and loss account	(7)	-
At 31 August 2002	-	-

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Deferred taxation comprises				
Accelerated capital allowances	(181)	(144)	(151)	(135)
Losses	(943)	(753)	(220)	(86)
Capital losses	(209)	(18)	(110)	(18)
	(1,333)	(915)	(481)	(239)

The deferred tax asset amount excludes any capital gains which might arise on the disposal of properties. The deferred taxation asset as at 31 August 2002 and 2001 has not been recognised in the financial statements.

	Other
	£'000
1 September 2001 and at 31 August 2002	100

The other provision was for a number of legal claims made against a subsidiary in previous years. The claims were settled in the year and the remaining provision is in respect of legal fees. The parent company has taken over the liability for these costs during the year.

Pendleton Investments Limited
(formerly Honormead Limited)

18 Called up share capital

	2002 £'000	2001 £'000
Authorised		
300,000 ordinary £1 shares	300	300
Issued and fully paid		
282,800 ordinary £1 shares	283	283

19 Revaluation reserve

	Group £'000	Company £'000
At 1 September 2001	2,215	2,215
Revaluation in year	(48)	(48)
Realised in year	(85)	(85)
At 31 August 2002	2,082	2,082

20 Profit and loss account

	Group £'000	Company £'000
At 1 September 2001	(851)	(631)
Loss for the year	(1,802)	(1,133)
Transfer from revaluation reserve	85	85
At 31 August 2002	(2,568)	(1,679)

21 Reconciliation of movement in shareholders' funds

	2002 £'000	2001 £'000
(Loss) for the year	(1,802)	(2,791)
Other recognised loss relating to the year	(48)	-
Opening shareholders' funds	1,647	4,438
Closing shareholders' funds	(203)	1,647

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22 Cashflow from operating profit

	2002 £'000	2001 £'000
Operating (loss)	(754)	(2,645)
Depreciation charge	154	209
(Increase)/Decrease in stocks	(6)	30
Decrease in debtors	73	781
(Decrease) in creditors	(1,072)	(821)
Increase in provisions	-	100
Net cashflow from operating activities	(1,605)	(2,346)

23 Reconciliation of movements in net debt

	At 01.09.2001 £'000	Cashflow £'000	Other non- cash changes £'000	At 31.08.02 £'000
Overdrafts	(4,188)	(435)	-	(4,623)
Debt due within one year	(300)	(705)	-	(1,005)
Debt due after one year	(1,219)	223	-	(996)
Finance leases	(104)	48	(12)	(68)
Total	(5,811)	(869)	(12)	(6,692)

24 Contingent liabilities

The company has given an unlimited guarantee to secure the banks borrowings of other companies in the group. At 31 August 2002 group borrowing amounts to £6,559,000 (2001: £5,706,000).

Pendleton Investments Limited (formerly Honormead Limited)

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

- a) Sales of £Nil (2001: 63,766) to and purchases of £9,218 (2001: £10,794) from Grangecraft (Garden Centre) Limited.
- b) Cash advances have been made by Grangecraft (Garden Centre) Limited during the year. At the year end an amount of £1,300 (2001: £10,031) was due to Grangecraft (Garden Centre) Limited in respect of these. The maximum balance outstanding during the year was £10,031 (2001: £10,031). No interest is charged on these advances.
- c) The balance of £67,196 outstanding from Grangecraft (Garden Centre) Limited at 31 August 2001 was fully repaid during the year.
- d) The overdraft facility and loan of Grangecraft (Garden Centre) Limited are guaranteed by a limited guarantee of £100,000.
- e) At the year-end work in progress included an amount of £16,426 (2001: £16,426) in respect of work carried out on properties owned by S Brook, a director, and his family and £1,484 (2001: £1,484) in respect of work carried out for N Gillespie, a director.
- f) During the year the management of the school for Autism operated by Honormead Schools Limited, was transferred to Autism GB Limited, 40% of which is owned by Mrs R Brook, wife of S G Brook a director of the company, for nil consideration.
- g) During the year, rent of £118,750 was charged 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 August 2002.

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

- a) At 31 August 2002, there was an amount of £2,200 due from the group to F Brook, a director. This loan is unsecured, interest free and has no fixed repayment date.
- b) During the year, the company made payments of £26,250 (2001: £61,665) to Neil Gillespie Business Developments Limited, a company controlled by A N Gillespie, in respect of his fees as a director. £3,804 was outstanding with this company at 31 August 2002 (2001: £3,249).
- c) At 31 August 2002 there was an amount of £5,000 due to the company from S Brook. This loan is unsecured, interest free and has no fixed repayment date.
- d) At 31 August 2002 there was an amount of £13,000 due to the company from F Brook. This loan is unsecured, interest free and has no fixed repayment date.

26 Capital commitments

The company and group had no capital commitments at 31 August 2002 (2001: £Nil).

Pendleton Investments Limited (formerly Honormead Limited)

27 Pension costs

The company operates four 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 year amounted to £199,000 (2001: £209,000).

28 Subsequent events

Subsequent to the year-end, 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.

29 Ultimate controlling party

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