

RIVERMEAD COURT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003



HEXTALL MEAKIN
Chartered Accountants & Registered Auditors
Argon House
Argon Mews
Fulham Broadway
London
SW6 1BJ

RIVERMEAD COURT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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RIVERMEAD COURT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Michael Austin
Susan Jane Fox
Peter Green
Suzanne Jean Henderson
Marie Louise Legg
Louis Joshua Manson
Terence Hugh McCaughey
James Thomas McDonough
Richard Frank Coleman Pollitzer

Company secretary

Vantis Cosec Limited

Registered office

82 St. John Street
London
EC1M 4JN

Auditors

Hextall Meakin
Chartered Accountants
& Registered Auditors
Argon House
Argon Mews
Fulham Broadway
London
SW6 1BJ

RIVERMEAD COURT LIMITED

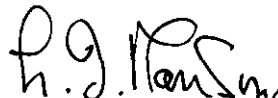
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the twenty fifth annual general meeting of Rivermead Court Limited will be held at 7.00 pm on Monday May 10, 2004 at the Hurlingham Club, London, for the following purposes:

1. To receive and consider the accounts of the company for the year ended December 31, 2003 and the reports of the directors and auditors thereon.
2. To reappoint as directors of the company:
 - Richard Frank Coleman Pollitzer
 - Louis Joshua Manson
 - Terence Hugh McCaughey
 - Peter Green
3. To reappoint Hextall Meakin as auditors and to authorise the directors to agree their remuneration.
4. To transact any other business of the company.

April 16, 2004

Registered office
82 St John Street
London EC1M 4JN


L J Manson
Director

PROXIES

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy (who need not be a member) to attend and vote in his place. Blank forms of proxy may be obtained upon request from Vantis Cosec Limited, 82 St John Street, London EC1M 4JN and, when completed, must be left at the Porters' Lodge, Rivermead Court by Friday May 7, 2004.

JOINT HOLDERS

All joint holders of a share may attend the meeting but under article 70 of the Articles of Association of the company only the first named of them on the register of members kept by the company is entitled to vote (whether in person or by proxy). However, if the first named does not vote, the second may do so and so on. This notice is addressed to the first named of them.

RIVERMEAD COURT LIMITED

CHAIRMAN'S STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2003

Results

In 2003 the company's operating income plus investment income amounted to £1,077,563, whereas its outgoings were only £1,033,796, so in cash terms there was a small credit to the reserves. However, there were some write-offs of prior year items totalling £36,188 for insurance-related repair costs and £11,511 of prepaid expenses which led to the loss for the year.

Excluding Major Works the service charge expenditure was within 1% of the budgeted figure.

Major Works

£301,054 was spent on major works in 2003. The main items were the painting of the windows in the north faces of both the East and West blocks, the re-surfacing of the roofs of those two blocks and further removal of asbestos. Asbestos of the dangerous variety in areas used by members of the staff has been dealt with. There is a rolling programme to remove the remaining asbestos.

The boiler-house has one large boiler and three small ones. Last year one of the old small boilers cracked and was replaced. A similar boiler has now cracked and is being replaced. The insurers made a contribution to the replacement cost.

The re-painting of the east elevation and west elevation respectively of both the East and West blocks is due to start on May 3rd. The other major work that may be undertaken in 2004 is the repair of the concrete cladding to the river wall.

We intend to make a start on replacing the carpets from first floor level up with a new pattern. The stock of the existing carpet has been used up and estimates we obtained show that to produce carpet of the same pattern would be more expensive than to buy carpet currently produced. The replacement will start in entrance 67-98, in which the carpets are in the worst state, and will be a rolling programme over several years.

The exit gate installed two years ago has proved incapable of withstanding the winds that seem to blow ferociously between the blocks. It is being replaced with a metal gate that will not only be stronger, but more elegant.

Investments

The value of our investments has improved as the market has recovered. At the year-end the investments had a value of £812,583 and this had improved to £829,413 as at April 8, 2004.

Management

2003 saw major changes in the management of the company. In November 2002 Wood Management was taken over by Hercules Property Services plc.

During 2003 David Murray became a consultant but remained involved with Rivermead. The day-to-day management was taken over by Howard Weinstein. Before he had become established the sudden and tragically early death of David Murray occurred in November 2003.

David Murray had managed Rivermead for twenty years and had such a detailed knowledge of the estate and its problems that, knowing he was available when needed, the initial change-over did not cause us too much concern. At the end of the year we heard that Howard Weinstein had left Woods, leaving a management vacuum. This has been filled by the appointment of Vincent Wood, who had been trained by David Murray and is the son of the firm's founder.

RIVERMEAD COURT LIMITED

CHAIRMAN'S STATEMENT *(continued)*

YEAR ENDED 31 DECEMBER 2003

He is now managing the estate together with Kevin Marshall, the managing director of Simmons and Partners, the building-surveying subsidiary of Hercules.

These changes have led to a detailed review of our contractual relations with Woods, resulting in an agreed document setting out the respective roles and responsibilities of the board, the managing agents and the house manager, to whom a number of the managing agents' responsibilities are delegated.

At the same time Michael Austin, who had taken over Rivermead's financial affairs, conducted a detailed analysis of the management accounts and budgets produced by Woods and the subsequent audit and its cost. Woods have appointed a very experienced Head of Client Accounting and we have appointed new auditors, which should reduce the cost. These changes imposed an additional burden on your directors over several months, but, hopefully, satisfactory personnel and systems are now in place.

Compliance with the Health and Safety at Work regulations also required further attention. We have now produced a Health and Safety Policy Statement and a Risk Assessment document that are being validated by the consultant who advised us on these matters some years ago and by the local fire officer.

Basement

A great deal of effort was put into clearing the basement of the West block of old unused items and general rubbish. A start will be made this year on clearing the East block basement. Residents are requested to store only items that they intend to use in the future. Residents should regularly review their requirement of items stored and remove any genuinely not expected to be used. The storerooms should not be used as a repository for unwanted items.

Sub-lettings

For many years the number of flats sub-let at Rivermead Court was around 25. During the last 18 months this has risen to 33, the owners of a third of which have not applied for licences to sub-let, as required by their leases. In spite of warnings to those owners known to let their flats and to the letting agents that a licence is required, a number of owners have re-let their properties without applying for permission. The main purpose of the licence is to obtain a direct covenant from the sub-lessee to observe the covenants in the Headlease. Our insurers have expressed concern on this matter and our solicitors are now threatening proceedings against those in breach of covenant.

In many cases the letting agents are equally at fault, often submitting references only a day or so before the sub-lessee is due to move in. One agent denied any responsibility for obtaining a licence to sub-let, claiming it was up to the owner to do so, notwithstanding that the Tenancy Agreement it had used contained a statement that all necessary licences had been obtained. The owner was an off-shore company. After detailed enquiries we found that the property was managed for that company by another branch of the same letting agents.

A disproportionate amount of my time and that of our solicitors has been taken up trying to correct this problem. All lessees who sub-let are advised that strict compliance with the terms of their leases is being enforced.

RIVERMEAD COURT LIMITED

CHAIRMAN'S STATEMENT *(continued)*

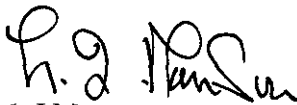
YEAR ENDED 31 DECEMBER 2003

The Board and Staff

Jim Roberts, who succeeded his father as the estate's plumber, retired at the end of 2003, after a lifetime of service to the company and the residents. We wish him a happy retirement.

All the staff have served us well during the difficult change-over period for which they deserve our thanks.

Finally, I wish to thank the members of the Board and the sub-committees, particularly those who have undertaken additional work over the last year to put in place the policies and systems. I believe these should serve the lessees well in the future.



L J Manson
Chairman

16 April 2004

RIVERMEAD COURT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company purchased the freehold of Rivermead Court from Prudential Assurance Company Limited with a view to granting long leases of the flats therein to those sitting tenants who wished to acquire them. Long leases of certain flats which were vacant at that time or subsequently became vacant have been sold in the open market. Two flats continued to be let during the year at rack rents, to sitting tenants who did not elect to acquire long leases.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

Ordinary Shares of £1 each		
	At	At
	31 December 2003	1 January 2003 or later date of appointment
Susan Jane Fox	1	1
Suzanne Jean Henderson	1	1
Marie Louise Legg	1	1
Louis Joshua Manson	1	1
James Thomas McDonough	1	1
Richard Frank Coleman Pollitzer	1	1
Michael Austin	(App 17 Mar 03)	1
Peter Green	(App 16 Jul 03)	1
Terence Hugh McCaughey	(App 16 Jul 03)	1
Gordon James Howe	(Res 20 May 03)	1
	<hr/>	<hr/>

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 12, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

RIVERMEAD COURT LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2003

AUDITORS

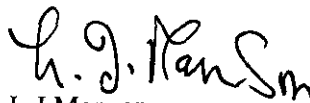
A resolution to re-appoint Hextall Meakin as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
82 St. John Street
London
EC1M 4JN

Signed on behalf of the directors



L J Manson
Director

Approved by the directors on April 16, 2004

RIVERMEAD COURT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2003

We have audited the financial statements on pages 10 to 15 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on page 12.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on pages 6 to 7.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

RIVERMEAD COURT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 DECEMBER 2003

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



HEXTALL MEAKIN
Chartered Accountants
& Registered Auditors

Date: 16th April 2004

RIVERMEAD COURT LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2003**

	Note	2003 £	2002 £
TURNOVER		—	—
Administrative expenses		1,081,495	1,105,925
Other operating income		(1,056,541)	(928,363)
OPERATING LOSS	2	(24,954)	(177,562)
Interest receivable and similar income	4	21,022	37,811
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,932)	(139,751)
Tax on loss on ordinary activities	5	21,380	(2,207)
LOSS FOR THE FINANCIAL YEAR		(25,312)	(137,544)
Balance brought forward		722,913	860,457
Balance carried forward		<u>697,601</u>	<u>722,913</u>

The notes on pages 12 to 15 form part of these financial statements.

RIVERMEAD COURT LIMITED

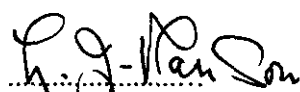
BALANCE SHEET

31 DECEMBER 2003

	Note	2003 £	2002 £
CURRENT ASSETS			
Property	6	192,359	192,359
Debtors	7	415,260	405,715
Investments	8	402,484	402,484
Cash at bank		289,620	272,003
		<u>1,299,723</u>	<u>1,272,561</u>
CREDITORS: Amounts falling due within one year			
	9	<u>601,915</u>	<u>549,441</u>
NET CURRENT ASSETS		<u>697,808</u>	<u>723,120</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>697,808</u>	<u>723,120</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11	207	207
Profit and loss account		697,601	722,913
SHAREHOLDERS' FUNDS		<u>697,808</u>	<u>723,120</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on April 16, 2004 and are signed on their behalf by:


L J Manson

The notes on pages 12 to 15 form part of these financial statements.

RIVERMEAD COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Investments

Investments are shown in the financial statements at the lower of cost and net realisable value.

Other operating income

Other operating income represents amounts receivable from the lessees of properties at Rivermead Court by way of service charges and provisions for future expenditure.

Property

Property is shown in the financial statements at the lower of cost and net realisable value.

2. OPERATING LOSS

Operating loss is stated after charging:

	2003	2002
	£	£
Directors' emoluments	—	—
Auditors' fees	<u>5,000</u>	<u>12,500</u>

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Average weekly full time employees	<u>14</u>	<u>13</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	224,918	209,753
Social security costs	<u>19,907</u>	<u>17,832</u>
	<u>244,825</u>	<u>227,585</u>

No director received any remuneration during the year.

RIVERMEAD COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£	£
Bank interest receivable	5,983	4,410
Profit on sale of investment	—	16,714
Income from investments	15,039	16,687
	<u>21,022</u>	<u>37,811</u>

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year	10,000	7,650
(Over)/under provision in prior year	11,380	(9,857)
Total current tax	<u>21,380</u>	<u>(2,207)</u>

The company is a mutual trading company for taxation purposes.

6. PROPERTY

	2003	2002
	£	£
Property at cost	<u>192,359</u>	<u>192,359</u>

7. DEBTORS

	2003	2002
	£	£
Service charges receivable	387,322	325,847
Other debtors	7,440	63,179
Prepayments and accrued income	20,498	16,689
	<u>415,260</u>	<u>405,715</u>

RIVERMEAD COURT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

8. INVESTMENTS

	2003 £	2002 £
Listed on UK Stock Market		
£100,000 Tesco 2009	96,148	96,148
Not listed on recognised stock exchange		
10,500 Old Mutual Funds	78,799	78,799
273,790 Threadneedle UK Growth Trust	67,807	67,807
31,000 St James' Place International Unit Trust	63,328	63,328
50,000 Newton Fund Managers Income Fund	96,402	96,402
	<u>402,484</u>	<u>402,484</u>

All the investments are stated at the lower of cost and net realisable value. The market value at 31 December 2003 was £812,583 (2002: £703,203).

9. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Trade creditors	2,761	—
Other creditors including taxation:		
Corporation tax	10,000	—
Deferred income	550,701	479,386
Other creditors	—	5,542
Accruals and deferred income	38,453	64,513
	<u>601,915</u>	<u>549,441</u>

10. RELATED PARTY TRANSACTIONS

In their capacity as lessees, the directors are levied and pay service charges and, where applicable, car-parking and garage rents, on the same arms length basis as all other lessees of Rivermead Court.

RIVERMEAD COURT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

11. SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
250 Ordinary shares of £1 each	<u>250</u>	<u>250</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>207</u>	<u>207</u>	<u>207</u>	<u>207</u>