

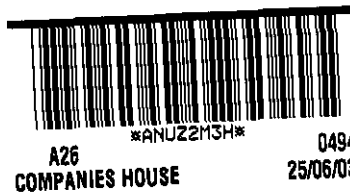
Z R BUILDERS (DERBY) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED

31 AUGUST 2002

Registered Number: 02255001



Z R Builders (Derby) Limited

Annual report for the year ended 31 August 2002

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Z R Builders (Derby) Limited

Director's report for the year ended 31 August 2002

The director present his 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 that of builders, property developers and property rental.

Review of business and future developments

The profit and loss account for the year is set out on page 4.

The company has guaranteed the overdraft and loans of its parent undertaking and fellow subsidiaries. Subsequent to the year-end, a subsidiary company has been sold and the proceeds from the sale have eliminated the bank borrowings of the group.

Director and his interests

The director of the company at 31 August 2002, who has been a director for the whole of the year ended on that date, was:

S G Brook

The director has no interest in the share capital of the company. His interest in the share capital of the holding company is shown in that company's financial statements.

Dividends

The director does not recommend the payment of a dividend (2001: £Nil).

Director's responsibilities

The director is 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 director is 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 director confirms that suitable accounting policies have been used and applied consistently. He also confirms 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 director is 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. He is 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.

Z R Builders (Derby) Limited

Auditors

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

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

Special exemptions

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'L Spence'.

L Spence
Company secretary

Z R Builders (Derby) Limited

Independent auditors' report to the members of Z R Builders (Derby) Limited

We have audited the financial statements of Z R Builders (Derby) Limited for the year ended 31 August 2002 on pages 4 to 10. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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.

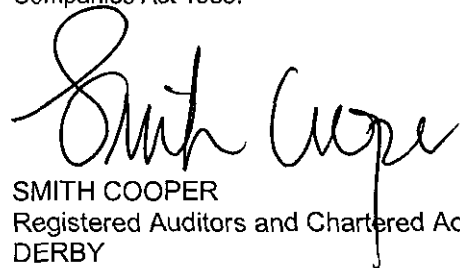
Basis of audit opinion

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 company's affairs at 31 August 2002 and of its loss 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

Z R Builders (Derby) Limited

Profit and loss account for the year ended 31 August 2002

| | Note | 2002 £ | 2001 £ |
|---|------|------------------|-----------|
| Turnover | 2 | 141,607 | 151,365 |
| Cost of sales | | (9,209) | (75,740) |
| Gross profit | | 132,398 | 75,625 |
| Administrative expenses | | (44,106) | (66,458) |
| Operating profit | 3 | 88,292 | 9,167 |
| Loss of disposal of freehold property | | (330,374) | - |
| (Loss)/profit on ordinary activities before taxation | | (242,082) | 9,167 |
| Taxation | 4 | - | (19,232) |
| (Loss) for the financial year | 10 | (242,082) | (10,065) |

All amounts relate to continuing operations.

The company has no recognised gains or losses other than the profits/(losses) stated above, therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained (loss)/profit for the year stated above and their historical cost equivalents.

Z R Builders (Derby) Limited

Balance sheet as at 31 August 2002

| | Note | 2002 £ | 2001 £ |
|---|------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 6 | 1,719,745 | 2,211,273 |
| Current assets | | | |
| Work in progress | | 22,216 | 23,146 |
| Debtors | 7 | 117,991 | 50,056 |
| Cash at bank and in hand | | 216,979 | 163,299 |
| | | 357,186 | 236,501 |
| Creditors: amounts falling due within one year | 8 | (2,442,139) | (2,570,900) |
| Net current liabilities | | (2,084,953) | (2,334,399) |
| Total assets less current liabilities | | (365,208) | (123,126) |
| Capital and reserves | | | |
| Called up share capital | 9 | 100 | 100 |
| Profit and loss account | 10 | (365,308) | (123,226) |
| Equity shareholders' funds | 11 | (365,208) | (123,126) |

The director has taken advantage of the special exemptions conferred by Part VII of the Companies Act 1985 and the Financial Reporting Standards for Smaller Entities (effective June 2002) and have done so on the grounds that, in his opinion, the company is entitled to those exemptions as a small company.

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

S. G. Brook

S G Brook
Director

Z R Builders (Derby) 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.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with Financial Reporting Standards for Smaller Entities (effective June 2002).

The balance sheet at the year-end shows that liabilities exceed assets by £365,208. The parent company, Pendleton Investments Limited (formerly Honormead Limited), has confirmed that it will maintain its financial support for the foreseeable future to enable the company to continue normal trading operations.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

Fixed assets

Freehold property is stated at valuation. Other fixed assets are stated at cost which comprises purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of fixed assets less their estimated residual values, on a straight line basis over the expected useful economic life of the asset, at the following annual rates:

| | |
|--------------------|-----|
| Freehold buildings | 2% |
| Motor vehicles | 25% |

Work in progress

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.

Cashflow

The company qualifies as a small company under the terms of Section 247 of the Companies Act 1985 and as a consequence is exempt from the requirement to publish a cashflow statement.

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.

2 Turnover

Turnover arose entirely within the United Kingdom.

Z R Builders (Derby) Limited

3 Operating profit

| | 2002 £ | 2001 £ |
|---|-------------------------|-------------------------|
| <hr/> | | |
| Operating profit is stated after charging: | | |
| Auditors' remuneration | 1,000 | 1,000 |
| Depreciation of owned tangible fixed assets | 37,037 | 46,753 |
| | <hr/> | |

4 Taxation

No taxation charge arises on the result for the year and there is no effect on the taxation charge as a result of the loss on the disposal of the freehold property.

5 Director's emoluments

The director received no emoluments in respect of his services to the company (2001: £Nil).

Z R Builders (Derby) Limited

6 Tangible fixed assets

| | Freehold property £ | Investment property £ | Motor vehicles £ | Total £ |
|----------------------------------|---------------------------|-----------------------------|------------------------|------------------|
| Cost or valuation | | | | |
| At 1 September 2001 | 2,259,290 | - | 6,995 | 2,266,285 |
| Additions | 36,243 | - | - | 36,243 |
| Disposals | (502,458) | - | - | (502,458) |
| Reclassification | (1,793,075) | 1,793,075 | - | - |
| Depreciation on reclassification | - | (76,855) | - | (76,855) |
| At 31 August 2002 | - | 1,716,220 | 6,995 | 1,723,215 |
| Depreciation | | | | |
| At 1 September 2001 | 52,717 | - | 2,295 | 55,012 |
| Charge for year | 35,862 | - | 1,175 | 37,037 |
| Eliminated on disposal | (11,724) | - | - | (11,724) |
| Reclassification | (76,855) | - | - | (76,855) |
| At 31 August 2002 | - | - | 3,470 | 3,470 |
| Net book value | | | | |
| At 31 August 2002 | - | 1,716,220 | 3,525 | 1,719,745 |
| At 31 August 2002 | 2,206,573 | - | 4,700 | 2,211,273 |

All freehold property has been reclassified as investment property at 31 August 2002 as it is no longer used within the group. This property was acquired during the year ended 31 August 2000 and the directors consider that the net book value of the property at 31 August 2002 is reasonable as the market value at that date.

7 Debtors

| | 2002 £ | 2001 £ |
|--|----------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 7,040 | 18,352 |
| Other debtors | 110,951 | 31,704 |
| | 117,991 | 50,056 |

Z R Builders (Derby) Limited

8 Creditors: amounts falling due within one year

| | 2002 £ | 2001 £ |
|-----------------------------------|-----------|-----------|
| Amounts due to group undertakings | 2,441,135 | 2,550,915 |
| Other creditors | 1,004 | 19,985 |
| | 2,442,139 | 2,570,900 |

Amounts due to group undertakings are unsecured, interest free and have no fixed repayment date.

9 Called up share capital

| | 2002 £ | 2001 £ |
|---|-----------|-----------|
| Authorised | | |
| 1,000 ordinary £1 shares | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| 100 ordinary £1 shares | 100 | 100 |

10 Profit and loss account

| | 2002 £ |
|--------------------------|------------------|
| At 1 September 2001 | (123,226) |
| Loss for the year | (242,082) |
| At 31 August 2002 | (365,308) |

11 Reconciliation of movement in shareholders' funds

| | 2002 £ | 2001 £ |
|-----------------------------|-----------|-----------|
| Opening shareholders' funds | (123,126) | (113,061) |
| Loss for the year | (242,082) | (10,065) |
| Closing shareholders' funds | (365,208) | (123,126) |

Z R Builders (Derby) Limited

12 Deferred taxation

There is no provision for deferred taxation. The unprovided deferred taxation asset comprises:

| | 2002 £ | 2001 £ |
|----------------|-----------|-----------|
| Capital losses | (68,492) | - |

13 Transactions with related parties

The company has taken advantage of the exemptions in FRS 8 not to report transactions with companies which are at least 90% owned by the group.

During the year the company made sales of £5,151 (2001: £10,070) to and purchase of £Nil (2001: £35) from Grangecraft (Garden Centre) Limited, a company in which S Brooks is a shareholder and director. The amount due from Grangecraft (Garden Centre) Limited at the year end was £4,139 (2001: £5,862).

During the year, the company charge rent of £71,250 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.

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 and his family and £1,484 (2001: £ 1,484) in respect of work carried out for N Gillespie, a director of the holding company.

13 Capital commitments

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

14 Contingent liabilities

The company has given an unlimited guarantee to secure the bank borrowings of other companies in the Pendleton Investment Limited group. At 31 August 2002 total group borrowings amounted to £6,559,000 (2001: £5,706,000).

15 Ultimate controlling party

The directors regard Pendleton Investments Limited (formerly Honormead Limited) as the ultimate holding company. According to the register kept by the company, Pendleton Investments Limited has 100% interest in the equity capital of Z R Builders (Derby) Limited at 31 August 2002.

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

A copy of the accounts of Pendleton Investments Limited can be obtained from the company's registered office.