

**CARPENTER'S ROAD PROPERTIES
LIMITED**

Report and Financial Statements

31 December 2001



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Kessler
G B Kessler
C J Kessler
A E Watson
W A Cochrane

SECRETARY

W A Cochrane

REGISTERED OFFICE

International Business Park
11 Rick Roberts Way
London E15 2NF

BANKERS

Barclays Bank PLC
54 Lombard Street
London
EC3V 9EX

SOLICITORS

Pritchard Englefield
14 New Street
London
EC2M 4HE

AUDITORS

Deloitte & Touche
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

The principal activity of the company is that of property investment.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results of the company for the year are set out in detail in the profit and loss account on page 6. The directors are satisfied with the results for the year and are confident about the future prospects of the company.

DIVIDENDS

The company has generated rental revenues during the year. However, in view of the loss carried forward, no dividend is recommended (2000 – £nil).

DIRECTORS

The directors who served throughout the year were:

W A Cochrane
W Kessler
G B Kessler
C J Kessler
A E Watson

DIRECTORS' INTERESTS

The directors who served during the year and their beneficial interests in shares of the company at 1 January 2001 and 31 December 2001 are as follows:

	Ordinary shares of £1 each	
	31 December 2001	1 January 2001
W Kessler (as nominee)	<u>1</u>	<u>1</u>

The following directors had beneficial interests in the shares of the ultimate parent company, Kesslers International Holding Company Limited, at 1 January 2001 and at 31 December 2001:

	Ordinary shares of £1 each		Management shares of £1 each	
	31 December 2001	1 January 2001	31 December 2001	1 January 2001
W Kessler	494	494	-	-
C J Kessler	67,488	67,488	-	-
G B Kessler	<u>67,488</u>	<u>67,488</u>	<u>-</u>	<u>-</u>

W Kessler held one ordinary share in the company as at 31 December 2001 as a nominee.

DIRECTORS' REPORT**DIRECTORS' INTERESTS (continued)**

In addition, the following directors were beneficially interested in the shares of the ultimate parent company at 1 January 2001 and at 31 December 2001 as joint beneficiaries of various trusts:

	Ordinary shares of £1 each		Management shares of £1 each	
	31 December 2001	1 January 2001	31 December 2001	1 January 2001
C J Kessler and G B Kessler	<u>476,428</u>	<u>476,428</u>	<u>118</u>	<u>118</u>

No other person who was a director at 31 December 2001 had any interests in the shares of the company or other group companies.

AUDITORS

Pursuant to Section 386 of the Companies Act 1985, as inserted by Section 119 of the Companies Act 1989, an elective resolution was passed dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche are deemed to continue as auditors.

Approved by the Board of Directors
and signed on behalf of the Board



W A Cochrane
Secretary

26 Sept 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CARPENTER'S ROAD PROPERTIES LIMITED**

We have audited the financial statements of Carpenter's Road Properties Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movement in Shareholders' funds/(deficit) and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche
Chartered Accountants and Registered Auditors
London

9 October 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER	1	1,016,521	842,842
Operating expenses		(111,805)	(145,599)
OPERATING PROFIT		904,716	697,243
Interest payable and similar charges	3	(343,779)	(414,451)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	560,937	282,792
Tax charge on profit on ordinary activities	5	(189,683)	(55,327)
RETAINED PROFIT ON ORDINARY ACTIVITIES FOR THE YEAR AFTER TAXATION		371,254	227,465
Loss brought forward		(120,641)	(348,106)
Profit/(loss) carried forward		250,613	(120,641)

All amounts derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2001

	2001 £	2000 £
Profit for the financial year	371,254	227,465
Surplus arising on revaluation of fixed assets	2,843,565	93,346
Total recognised gains and losses in the year	3,214,819	320,811

BALANCE SHEET
31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	6	13,250,000	10,350,000
CURRENT ASSETS			
Debtors	7	457,335	288,750
CREDITORS: amounts falling due within one year	8	(198,515)	(193,518)
NET CURRENT ASSETS		258,820	95,232
TOTAL ASSETS LESS CURRENT LIABILITIES		13,508,820	10,445,232
CREDITORS: amounts falling due after more than one year	9	(7,519,082)	(7,859,996)
ACCRUALS AND DEFERRED INCOME	10	(2,053,911)	(2,053,911)
PROVISIONS FOR LIABILITIES AND CHARGES	11	(415,729)	(226,046)
NET ASSETS		3,520,098	305,279
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Revaluation reserve	12	3,269,483	425,918
Profit and loss account		250,613	(120,641)
TOTAL EQUITY SHAREHOLDERS' FUNDS		3,520,098	305,279

These financial statements were approved by the Board of Directors on 26 Sept 2002.

Signed on behalf of the Board of Directors



W A Cochrane
Director

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/(DEFICIT)
Year ended 31 December 2001

	2001 £	2000 £
Profit for the financial year	371,254	227,465
Other recognised gains and losses relating to the year	<u>2,843,565</u>	<u>93,346</u>
Net addition to shareholders' funds	3,214,819	320,811
Opening shareholders' funds/(deficit)	<u>305,279</u>	<u>(15,532)</u>
Closing shareholders' funds	<u><u>3,520,098</u></u>	<u><u>305,279</u></u>

NOTES TO THE ACCOUNTS**Year ended 31 December 2001****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties.

Turnover

Turnover represents rental income which is derived solely from the United Kingdom.

Tangible fixed assets

Depreciation of fixed assets is provided at the following annual rates on a straight line basis:

Freehold land	-	nil
Freehold property	-	4%
Plant and machinery	-	15%

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to or from revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

No depreciation is provided on freehold land.

Investment properties are included in the balance sheet at open market value.

Grant income

Grant income received in respect of land development is treated as deferred income in the balance sheet. The grant is recognised in the profit and loss account when the related asset is sold. The deferred income balance is brought into the calculation of the profit or loss on the sale of the asset.

Deferred tax

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

2. INFORMATION REGARDING EMPLOYEES AND DIRECTORS

	2001 £	2000 £
Directors' emoluments:		
Emoluments (see note 15)	35,000	20,000
	<u>No.</u>	<u>No.</u>
The average number of persons, including directors, employed by the company were:		
Administration	6	6
	<u>£</u>	<u>£</u>
The costs, including directors, incurred in respect of these employees were:		
Wages and salaries	53,651	39,108
Social security costs	2,592	1,528
	<u>56,243</u>	<u>40,636</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Interest on bank loan	343,779	414,451

Cross charge of interest on bank loans made by Kesslers International Limited (fellow subsidiary) on behalf of Carpenter's Road Properties Limited.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £	2000 £
Ordinary profit is stated after charging:		
Auditors' remuneration – audit fees	10,000	10,000

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
Deferred taxation	189,683	44,519
Adjustment in respect of prior years	-	10,808
	<u>189,683</u>	<u>55,327</u>

Current year trading income is entirely offset by losses brought forward and the availability of capital allowances. However, a provision for deferred tax has been made on excess allowances claimed over depreciation.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Total £
Cost and valuation:			
At 1 January 2001	10,350,000	21,520	10,371,520
Additions	56,435	-	56,435
Revaluation	2,843,565	-	2,843,565
At 31 December 2001	13,250,000	21,520	13,271,520
Accumulated depreciation:			
At 1 January 2001 and 31 December 2001	-	21,520	21,520
Net book value:			
At 31 December 2001	13,250,000	-	13,250,000
At 31 December 2000	10,350,000	-	10,350,000

Freehold land and property represent investment properties. They were valued at an open market value of £13,250,000 at 1 March 2002 by King Sturge & Co, a firm of Chartered Surveyors. The valuation assumed open market value of the freehold interest as at 31 December 2001. The surplus arising on revaluation has been taken to the revaluation reserve.

The freehold property is charged to the company's bankers as security to support the borrowings of the company, the ultimate parent company and Kesslers International Limited, a fellow subsidiary.

7. DEBTORS

	2001 £	2000 £
Amounts owed by related company	453,750	288,750
Other debtors	3,585	-
	457,335	288,750

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Deferred income	195,515	192,518
Accruals	3,000	1,000
	198,515	193,518

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Secured loan from Kesslers International Limited	2,437,488	2,437,488
Other loan from Kesslers International Limited	5,081,594	5,422,508
	<u>7,519,082</u>	<u>7,859,996</u>

The loan from Kesslers International Limited amounting to £2,437,488 is secured by a second charge over land and buildings situated at Carpenter's Road. The other loan from Kesslers International Limited is unsecured.

The repayment of both loans is deferred indefinitely.

Interest is re-charged from Kesslers International Limited on bank loans with interest rates varying from 9.95% fixed to the current LIBOR.

10. ACCRUALS AND DEFERRED INCOME

	2001 £	2000 £
Deferred income:		
City grant	<u>2,053,911</u>	<u>2,053,911</u>

The company received a grant in connection with its development of property. This grant will be released to the profit and loss account on disposal.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	2001 £	2000 £
Deferred taxation		
Balance at 1 January	226,046	181,527
Charge for the year	<u>189,683</u>	<u>44,519</u>
Balance at 31 December	<u>415,729</u>	<u>226,046</u>

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	2001 £	Provided 2000 £
Capital allowances in excess of depreciation	415,729	263,912
Other short term timing differences	<u>-</u>	<u>(37,866)</u>
	<u>415,729</u>	<u>226,046</u>

There is no unprovided deferred taxation (2000 – nil).

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

12. REVALUATION RESERVE

	£
Brought forward at 1 January 2001	425,918
Surplus on revaluation of fixed assets	<u>2,843,565</u>
Carried forward at 31 December 2001	<u>3,269,483</u>

13. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

14. FINANCIAL COMMITMENTS

The company has entered into a cross guarantee arrangement with the ultimate parent company and Kesslers International Limited, a fellow subsidiary.

The overdrafts of the company, its ultimate parent company and the fellow subsidiary subject to the cross-guarantee totalled £1,135,607 at 31 December 2001 (2000 – £nil).

15. RELATED PARTY DISCLOSURES

During 1992, the company purchased freehold land and buildings at a market value of £2,437,488 from Kesslers International Limited, a fellow subsidiary.

In order to finance the acquisition of this property, the company took a secured loan from Kesslers International Limited for the sum of £2,437,488. Kesslers International Limited holds a second charge over the property as security for the loan.

During the year, the company has received management services from Kesslers International Limited. In consideration thereof, the company owes an amount of £35,000 (2000 – £20,000) to Kesslers International Limited.

In accordance with Financial Reporting Standard No.8, "Related Party Disclosures", transactions with other undertakings within, and investee related parties of Kesslers International Group have not been disclosed in the financial statements.

The company received rental income at market value of £165,000 (2000 – £165,000) from Bridgewater Distribution and Management Limited an affiliated company. At the year end Bridgewater Distribution and Management Limited owed the company £453,750 (2000 – £288,750).

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

16. PARENT COMPANY AND CONTROLLING PARTY

In the opinion of the directors the immediate and ultimate parent company and controlling party is Kesslers International Holding Company Limited, a company registered in England and Wales and incorporated in Great Britain. Copies of its accounts may be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF14 3UZ.

Kesslers International Holding Company Limited prepare group consolidated financial statements which incorporate Carpenter's Road Properties Limited results.