

Company Registration Number: 2801424

**PORTFOLIO HOLDINGS LIMITED**

**Directors' Report and Accounts**  
for the period from 1 July 1999 to  
31 December 2000



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## **PORTFOLIO HOLDINGS LIMITED**

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**PORTFOLIO HOLDINGS LIMITED**  
**DIRECTORS AND PROFESSIONAL ADVISERS**

**Directors**

J M Robertson (Chief Executive)  
C J Hoddell  
S C Laws  
D G Walsh  
P T Parkinson  
R G Orf (Non Executive)  
W Benjamin (Non Executive)  
D B Blenko (Non Executive)

**Secretary and Registered Office**

S C Laws  
Granville House  
132-135 Sloane Street  
London SW1X 9AX

Registered in England and Wales  
No. 2801424

**Auditors**

Deloitte & Touche  
Hill House  
1 Little New Street  
London, EC4 3TR

**Solicitors**

Linklaters & Paines  
One Silk Street  
London EC2Y 8HQ

Norton Rose  
Kempson House  
PO Box 570  
Camomile Street  
London EC3A 7AN

**Bankers**

Bank of Scotland  
St James's Gate  
14-16 Cockspur Street  
London SW1Y 5BL

## **PORTFOLIO HOLDINGS LIMITED DIRECTORS' REPORT**

The directors have pleasure in submitting their report and the audited accounts for the period from 1 July 1999 to 31 December 2000.

### **Change in Accounting Reference Date**

On 26 January 2000 the Company's accounting reference date was extended to 31 December 2000 in order to bring the Company into line with its principal shareholders, AP Pelham Partners VII LLC and AP Pelham Partners XIII LLC.

### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss and cash flows of the group for that period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed; and
- d) prepare financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Principal Activities and Review of the Business**

The principal activities of the Company comprise the holding of shares in property investment and trading companies together with property investment and property trading in the UK.

In the opinion of the directors the financial position of the Company at the balance sheet date was satisfactory.

### **Results and Dividends**

The results of the Group for the period are detailed on page 6. The Group achieved a profit on ordinary activities before taxation of £3,639,308 (1999 - £531,108).

The directors do not recommend the payment of a final dividend for the period (1999 - £nil). The retained profit of the Group for the period is £2,309,679 (1999 - £602) which has been transferred to reserves, giving a retained profit carried forward of £5,296,640 (1999 - £3,919,206).

### **Fixed Assets**

The movements in fixed assets during the year are shown in notes 9 to 11. The Group's investment properties were valued by Messrs DTZ Debenham Tie Leung as at 31 December 2000 on the basis of open market value and in accordance with the RICS Appraisal and Valuation Manual (first edition) issued by the Royal Institute of Chartered Surveyors. The directors do not believe there is any significant difference between book value and market value of the other fixed assets.

# PORTFOLIO HOLDINGS LIMITED

## DIRECTORS' REPORT (continued)

### Directors and their Interests

J L Beckwith resigned as a director of the Company on 24 December 1999.

The directors holding office throughout the year and their interests in the ordinary share capital of the Company were as follows:

	Ordinary Shares as at 31 December 2000	Management Incentive Scheme Shares as at 31 December 2000	Ordinary Shares as at 30 June 1999	Management Incentive Scheme Shares as at 30 June 1999
J M Robertson	-	20,061	-	15,514
C J Hoddell	109,570	20,061	109,570	15,514
S C Laws	-	13,286	-	10,255
D G Walsh	-	20,061	-	15,514
R G Orf	-	-	-	-
W Benjamin	-	-	-	-
D B Blenko	-	-	-	-

On 4 June 1997 the Company established a long term management incentive scheme designed to reward all of the Company's directors and employees dependent on the performance of the Group. See note 21 for further information on this scheme.

Also on 4 June 1997 J M Robertson and D G Walsh were each granted options to subscribe for 42,627 ordinary shares of the Company at a price of £1.03 per share. The option is exercisable between 1 June 1998 and 4 June 2004 and replaces all previous option rights. On 15 May 2001 both J M Robertson and D G Walsh agreed to waive their options over 6,322 ordinary shares for a consideration of £46,065.25. On 28 August 2001 both J M Robertson and D G Walsh agreed to waive their options over 5,870 ordinary shares for a consideration of £42,771.76.

P T Parkinson was appointed as a director of the Company with effect from 25 April 2001.

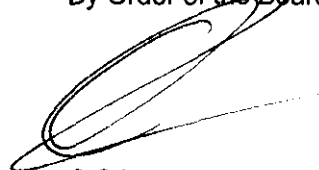
### Payments to Suppliers

The Company agrees terms and conditions with individual suppliers. It is then the Company's policy to settle debts within those terms. On average invoices are settled within 30 days.

### Auditors

It is proposed that Deloitte & Touche be reappointed as auditors of the Company.

By Order of the Board

  
S C Laws  
Secretary

Granville House  
132-135 Sloane Street  
London  
SW1X 9AX

30 October 2001

# **AUDITORS' REPORT TO THE SHAREHOLDERS OF**

## **PORTFOLIO HOLDINGS LIMITED**

We have audited the financial statements on pages 6 to 30 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

### **Respective Responsibilities of Directors and Auditors**

As described on page 3 the directors are responsible for the preparation of financial statements, which are prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

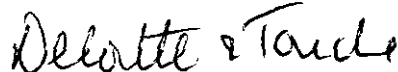
### **Basis of Opinion**

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 and the group'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 affairs of the Company and the Group as at 31 December 2000 and of the profit of the Group for the period from 1 July 1999 to 31 December 2000 and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**  
**Chartered Accountants**  
**and Registered Auditors**  
**Hill House**  
**1 Little New Street**  
**London**  
**EC4A 3TR**

30 October 2001

# **PORTFOLIO HOLDINGS LIMITED**

## **Consolidated Profit and Loss Account** for the 18 month period ended 31 December 2000

		18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
	Note		
Turnover of group and share of joint ventures		22,997,193	12,667,023
Less share of joint ventures' turnover		(14,621,757)	(9,802,088)
Turnover	2	<u>8,375,436</u>	<u>2,864,935</u>
Cost of sales		(3,460,682)	(598,719)
Gross profit		<u>4,914,754</u>	<u>2,266,216</u>
Administration expenses		(3,047,911)	(1,862,405)
Trading profit		<u>1,866,843</u>	<u>403,811</u>
Profit on sale of investment properties		13,140	521,316
Share of results of joint ventures		2,964,281	3,115,563
Operating profit	3	<u>4,844,264</u>	<u>4,040,690</u>
Interest receivable - group	4	<u>1,424,516</u>	<u>335,048</u>
Interest receivable - joint ventures	4	-	50,400
Interest receivable - total	4	<u>1,424,516</u>	<u>385,448</u>
Interest payable - group	5	<u>(2,627,299)</u>	<u>(1,524,971)</u>
Interest payable - joint ventures	5	(2,173)	(2,370,059)
Interest payable - total	5	<u>(2,629,472)</u>	<u>(3,895,030)</u>
Profit on ordinary activities before taxation	2	<u>3,639,308</u>	<u>531,108</u>
Taxation on profit on ordinary activities	6	(1,328,530)	(501,177)
Profit on ordinary activities after taxation		<u>2,310,778</u>	<u>29,931</u>
Minority interests		(1,099)	(29,329)
Profit for the financial period/year		<u>2,309,679</u>	<u>602</u>
Dividends including preference dividends	7	-	-
Retained profit for the financial period/year	17	<u>2,309,679</u>	<u>602</u>

An analysis of reserves is given in note 17.

Turnover and operating profit derive wholly from continuing operations.

The notes on pages 11 to 30 form an integral part of these accounts.

# **PORTFOLIO HOLDINGS LIMITED**

## **Statement of Total Recognised Gains and Losses** for the 18 month period ended 31 December 2000

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Profit for the financial period/year	2,309,679	602
Unrealised deficit on revaluation of properties	-	(50,000)
Share of joint ventures' unrealised (deficit)/surplus on revaluation	(251,914)	1,923,326
Total gains and losses recognised in the period/year	<u>2,057,765</u>	<u>1,873,928</u>

## **Note of Historical Cost Profits and Losses** for the 18 month period ended 31 December 2000

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Profit on ordinary activities before taxation	3,639,308	531,108
Realised surpluses of prior years	927,005	1,527,773
Historical cost profit on ordinary activities before taxation	<u>4,566,313</u>	<u>2,058,881</u>
Taxation, minority interests and dividends	(1,329,629)	(530,506)
Historical cost profit after taxation, minority interests and dividends	<u>3,236,684</u>	<u>1,528,375</u>

The notes on pages 11 to 30 form an integral part of these accounts.



# PORTFOLIO HOLDINGS LIMITED

## Consolidated Balance Sheet as at 31 December 2000

		31 December 2000 £	30 June 1999 £
	Note		
<b>FIXED ASSETS</b>			
Investment properties	9	-	1,300,000
Other tangible fixed assets	10	240,430	280,847
Investment in joint ventures:			
Share of gross assets	11	25,959,647	31,691,225
Share of gross liabilities	11	(20,528,049)	(23,912,470)
Other items	11	4,620,923	5,601,741
		<u>10,052,521</u>	<u>13,380,496</u>
		<u>10,292,951</u>	<u>14,961,343</u>
<b>CURRENT ASSETS</b>			
Trading stock	12	28,342,551	27,883,739
Debtors	13	2,099,231	7,334,902
Cash at bank and in hand		2,833,825	812,885
		<u>33,275,607</u>	<u>36,031,526</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(5,516,507)	(13,470,547)
<b>NET CURRENT ASSETS</b>		<u>27,759,100</u>	<u>22,560,979</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		38,052,051	37,522,322
<b>CREDITORS: amounts falling due after one year</b>	15	(18,162,063)	(17,997,461)
		<u>19,889,988</u>	<u>19,524,861</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital			
Equity shares	16	2,752,367	3,010,103
Share premium	17	5,115,459	4,993,886
Revaluation reserve	17	3,441,406	4,620,325
Capital reserve	17	904,370	879,858
Capital redemption reserve	17	2,457,740	2,180,576
Profit and loss account	17	5,296,640	3,919,206
<b>SHAREHOLDERS' FUNDS</b>	18	<u>19,967,982</u>	<u>19,603,954</u>
Minority equity interests		(77,994)	(79,093)
		<u>19,889,988</u>	<u>19,524,861</u>
Equity shareholders' funds		19,967,982	19,603,954
Non-equity shareholders' funds		-	-
		<u>19,967,982</u>	<u>19,603,954</u>

The accounts were approved by the  
Board of Directors on 30 October 2001

J M Robertson

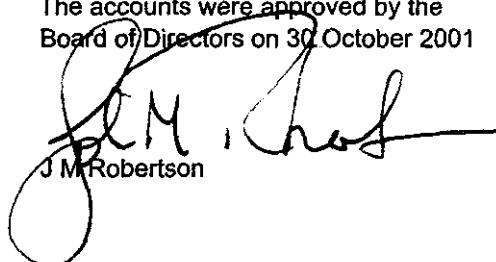
The notes on pages 11 to 30 form an integral part of these accounts.

# PORTFOLIO HOLDINGS LIMITED

## Company Balance Sheet as at 31 December 2000

	Note	31 December 2000 £	30 June 1999 £
<b>FIXED ASSETS</b>			
Other tangible fixed assets	10	240,430	280,847
Investments	11	11,657,385	13,319,579
		<u>11,897,815</u>	<u>13,600,426</u>
<b>CURRENT ASSETS</b>			
Debtors	13	2,855,074	1,824,529
Cash at bank and in hand		1,635,674	600
		<u>4,490,748</u>	<u>1,825,129</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	(2,112,171)	(4,426,755)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>2,378,577</u>	<u>(2,601,626)</u>
		<u>14,276,392</u>	<u>10,998,800</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital			
Equity shares	16	2,752,367	3,010,103
Share premium account	17	5,115,459	4,993,886
Capital redemption reserve	17	2,457,740	2,180,576
Profit and loss account	17	3,950,826	814,235
<b>SHAREHOLDERS' FUNDS</b>		<u>14,276,392</u>	<u>10,998,800</u>
Equity shareholders' funds		14,276,392	10,998,800
Non-equity shareholders' funds		-	-
		<u>14,276,392</u>	<u>10,998,800</u>

The accounts were approved by the  
Board of Directors on 30 October 2001



J M Robertson

Chief Executive

The notes on pages 11 to 30 form an integral part of these accounts.

# **PORTFOLIO HOLDINGS LIMITED**

## **Consolidated Cash Flow Statement**

for the 18 month period ended 31 December 2000

		18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
	Note		
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	19.1	6,529,679	(18,025,990)
<b>DIVIDENDS FROM JOINT VENTURES</b>		3,772,204	1,526,454
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		1,424,516	335,048
Interest paid		(2,603,503)	(1,500,543)
<b>TAXATION</b>		(859,680)	(54,405)
<b>CAPITAL EXPENDITURE</b>			
Purchase of tangible fixed assets		(45,728)	(279,459)
<b>ACQUISITIONS AND DISPOSALS</b>	19.3	2,947,536	5,472,185
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<u>11,165,024</u>	<u>(12,526,710)</u>
<b>FINANCING</b>	19.4	(6,926,668)	10,177,929
<b>INCREASE/(DECREASE) IN CASH IN THE PERIOD/YEAR</b>	19.2	<u><u>4,238,356</u></u>	<u><u>(2,348,781)</u></u>

## **Reconciliation of Net Cash Flow to Movement in Net Debt**

for the 18 month period ended 31 December 2000

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Increase/(decrease) in cash in the period/year	4,238,356	(2,348,781)
Cash inflow from increase in debt	4,866,623	(8,605,221)
Transferred to joint venture	-	1,035,942
Facility fees paid	113,864	-
Facility fees amortised	(158,930)	-
Facility fees capitalised	(30,591)	-
<b>Movement in net debt in the period/year</b>	<u>9,029,322</u>	<u>(9,918,060)</u>
<b>Net debt as at 1 July 1999/1998</b>	(27,832,507)	(17,914,447)
<b>Net debt as at 31 December 2000/30 June 1999</b>	<u><u>(18,803,185)</u></u>	<u><u>(27,832,507)</u></u>

The notes on pages 11 to 30 form an integral part of these accounts.

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000

### 1. Accounting Policies

**Basis of accounting** - The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties. The accounts have been prepared in accordance with applicable accounting standards. Compliance with SSAP 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and amortisation and an explanation of the departure is given below.

**Basis of consolidation** - The consolidated profit and loss account and balance sheet incorporate the audited accounts of all subsidiaries and joint ventures for the 18 month period ended 31 December 2000. Joint ventures are companies other than subsidiaries where the Group has a substantial shareholding, held for the long term and is in a position to exert joint control. The consolidated balance sheet includes the Group's share of the underlying net assets of joint ventures, plus any loans due to the Group. The Group's share of the profits less losses of all joint ventures is included in the Group profit and loss account on the gross equity basis.

**Recognition of profit** - Property sales are recognised when contracts have been exchanged prior to the period end. Where the contract is conditional, all conditions must be met prior to the signing of the accounts in order for the profit/loss arising to be recognised in the accounts.

**Goodwill** - Goodwill arises on the acquisition of subsidiary and joint venture entities, being the excess of cost over the fair value of the net assets acquired. Goodwill is capitalised and amortised over an appropriate period not exceeding 20 years. All goodwill relating to acquisitions prior to 1 July 1998 has been eliminated in the consolidated balance sheet against reserves.

**Turnover** - Turnover represents amounts receivable for properties and services or goods supplied by the Group. Turnover also includes net rental income from properties.

**Investment properties** - Investment properties are revalued annually in accordance with SSAP 19 and the aggregate surplus or deficit is transferred to the revaluation reserve. Any diminution in value which is deemed as permanent is written off to the profit and loss account in the period in which it is identified. This departure from the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

The depreciation or amortisation (which would, had the provisions of the Act been followed, have reduced operating profit for the period) is only one of the factors reflected in the annual valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

**Depreciation** - Depreciation is provided on all tangible fixed assets, other than freehold and long term leasehold investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected life as follows:

- Short leasehold buildings and improvements where there are 20 or less years to run are written off over the remaining period of the lease; and
- Other fixed assets are written off over three to five years.

**Work in progress** - Work in progress represents initial set up costs of identifiable projects and is stated at the lower of cost and net realisable value.

**Interest payable** - Interest is expensed to the profit and loss account on an accruals basis. Facility fees for raising loan finance are capitalised and amortised over the anticipated period of the loan.

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 1. Accounting Policies (continued)

**Deferred taxation** - Provision is made for deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes. The provision is maintained to the extent that timing differences are not expected, with reasonable certainty, to continue into the foreseeable future.

**Bank loan** - Under the provisions of Financial Reporting Standard 4, "Capital Instruments", costs associated with the raising of relevant finance are capitalised and set off against the balance of finance raised. The costs are then written off against the shorter of the controlled payback period of the finance and the period over which the directors estimate the finance will be repaid.

### 2. Segmental Information

Turnover for the period/year is derived solely in the United Kingdom and is analysed as follows:

	Group 18 months ended 31 December 2000 £	Group 12 months ended 30 June 1999 £
Net rental income	3,103,777	1,659,008
Property sale proceeds	3,555,000	772,000
Other income	1,716,659	433,927
	<u>8,375,436</u>	<u>2,864,935</u>

Other income represents management and introductory fees receivable.

Profit before tax is analysed as follows:

	Group 18 months ended 31 December 2000 £	Group 12 months ended 30 June 1999 £
Investment	942,902	189,159
Property trading	2,696,153	216,797
Other	253	125,152
	<u>3,639,308</u>	<u>531,108</u>

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 2. Segmental Information - continued

Net assets are analysed as follows:

	Group 18 months ended 31 December 2000 £	Group 12 months ended 30 June 1999 £
Property investment	8,354,467	9,175,578
Property trading	11,535,521	10,349,283
	<u>19,889,988</u>	<u>19,524,861</u>

### 3. Operating Profit

Operating profit is stated after charging/(crediting):

	Group 18 months ended 31 December 2000 £	Group 12 months ended 30 June 1999 £
Auditors' remuneration:		
Audit fee - company	30,059	27,547
Audit fee - group	45,002	32,333
Other non audit fees - company	34,863	10,102
Other non audit fees - group	39,624	51,086
Depreciation on owned assets	86,145	49,369
Net rents receivable	(3,103,777)	(1,659,008)
Wages and salaries	1,531,364	884,892
Social Security costs	166,809	85,687

Total directors' emoluments are analysed as follows:

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Base salaries	922,500	409,875
Management incentive scheme bonus	-	165,500
Directors' fees	33,743	101,162
	<u>956,243</u>	<u>676,537</u>

The emoluments of the highest paid director were £262,500 for the eighteen month period ended 31 December 2000 (year to 30 June 1999 - £181,000). There were no pension contributions during the period.

The average number of employees in the period was 15 (year to 30 June 1999 - twelve), all of whom were employed with responsibility for the investment and trading property businesses.

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 4. Interest Receivable

Interest receivable is analysed as follows:

	18 months ended 31 December Group 2000 £	12 months ended 30 June Group 1999 £
Interest receivable from joint ventures	1,374,890	252,692
Interest receivable from third parties	49,626	82,356
	<u>1,424,516</u>	<u>335,048</u>
Interest receivable by joint ventures	-	50,400
	<u>1,424,516</u>	<u>385,448</u>

### 5. Interest Payable

Interest payable is analysed as follows:

	18 months ended 31 December Group 2000 £	12 months ended 30 June Group 1999 £
Interest payable to holding company	227,932	56,712
Interest on bank loans and overdrafts payable within five years	2,238,959	1,297,815
Other interest	1,478	65,455
Facility fees amortised	158,930	104,989
	<u>2,627,299</u>	<u>1,524,971</u>
Interest payable by joint ventures	2,173	2,370,059
	<u>2,629,472</u>	<u>3,895,030</u>

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 6. Taxation

Tax on profit on ordinary activities is analysed as follows:

	18 months ended 31 December Group 2000 £	12 months ended 30 June Group 1999 £
Corporation tax at 30% (1999 - 30.75%)	760,657	445,823
Prior year adjustment	(23,460)	21,898
	<u>737,197</u>	<u>467,721</u>
Share of joint ventures' tax charge	591,333	33,456
	<u>1,328,530</u>	<u>501,177</u>

### 7. Dividends

No dividends have been paid or declared for the periods ended 31 December 2000 or 30 June 1999.

### 8. Profit for the Financial Period/Year

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented as part of these financial statements. The profit after taxation attributable to Portfolio Holdings Limited for the period and dealt with in the financial statements of the Company was £4,995,841 (1999 - £23,723 profit).

### 9. Investment Properties

Investment properties are analysed as follows:

	£
Balance as at 1 July 1999	1,300,000
Disposals at cost	(1,300,000)
Balance as at 31 December 2000	<u>-</u>

The historical cost of properties stated at valuation was £nil (1999 - £1,516,119).



# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 10. Other Tangible Fixed Assets

Other tangible fixed assets of the Group and the Company are analysed as follows:

	Leasehold Improvements £	Office Equipment £	Total £
<b>Cost</b>			
Balance as at 1 July 1999	191,905	144,889	336,794
Additions	3,750	41,978	45,728
Disposals	-	(11,057)	(11,057)
Balance as at 31 December 2000	<u>195,655</u>	<u>175,810</u>	<u>371,465</u>
<b>Depreciation</b>			
Balance as at 1 July 1999	9,595	46,352	55,947
Provided during the period	28,817	57,328	86,145
Disposals	-	(11,057)	(11,057)
Balance as at 31 December 2000	<u>38,412</u>	<u>92,623</u>	<u>131,035</u>
<b>Net Book Value</b>			
As at 31 December 2000	<u>157,243</u>	<u>83,187</u>	<u>240,430</u>
As at 30 June 1999	<u>182,310</u>	<u>98,537</u>	<u>280,847</u>

### 11. Investments

Investments are analysed as follows:

	31 December 2000 Group £	31 December 2000 Company £
Subsidiary undertakings	-	8,867,071
Joint ventures	10,052,521	2,790,314
Balance as at 31 December 2000	<u>10,052,521</u>	<u>11,657,385</u>

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 11. Investments - continued

#### (1) Investment in Subsidiary Undertakings

Investment in subsidiary undertakings is analysed as follows:

	Shares £	Loans £	Total £
Balance as at 1 July 1999	2,079,748	6,947,878	9,027,626
Additions	1	3,397,241	3,397,242
Disposal of subsidiary	(32,226)	(2,790)	(35,016)
Redemption of loans	-	(3,522,781)	(3,522,781)
Balance as at 31 December 2000	<u>2,047,523</u>	<u>6,819,548</u>	<u>8,867,071</u>

The Company's subsidiaries and their activities are as follows:

Subsidiary	Principal activity	Equity share
Portfolio Land Limited	Property investment	100%
Portfolio Parks Limited	Holding 85% of Foodparks UK Limited	100%
Foodparks UK Limited	Property development	85%
Foodparks UK Management Services Ltd	Dormant	60%
Portfolio Land II Limited	Property investment	100%
Portfolio Land III Limited	Property development and trading	100%
Portfolio Land V Limited	Property development and trading	100%
The Porthall Company	Property trading	100%
Staffordshire Securities Limited	Property trading	100%
Portfolio Ventures Limited	Holding equity in property trading company	100%
Portfolio Ventures (II) Limited	Holding equity in property trading partnership	100%
Portfolio Ventures (III) Limited	Holding equity in property investment partnership	100%
Portfolio Ventures (IV) Limited	Holding equity in property trading partnership	100%
Portfolio Ventures (V) Limited	Holding equity in property investment partnership	100%
Portfolio Ventures (VI) Limited	Holding equity in property investment partnership	100%
Portfolio Ventures (VII) Limited	Holding equity in property investment partnership	100%
Portfolio Ventures (VIII) Limited	Holding equity in property trading partnership	100%
Portfolio Ventures (IX) Limited	Holding equity in property trading partnership	100%
Egyptian Halls Limited	Dormant	100%
KPLP	Property trading	80%
KP (North) LP	Property trading	80%

All of the subsidiary undertakings are registered in England and Wales with the exception of Egyptian Halls Limited which is registered in Scotland.

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 11. (2) Investment in Joint Ventures

	31 December 2000 Group £	31 December 2000 Company £
Investment in joint ventures is analysed as follows:		
Balance as at 1 July 1999	13,380,496	4,291,953
Additions	3,979,511	3,133,590
Share of profits for the period	2,962,108	-
Share of revaluation deficit	(251,914)	-
Dividend/profit share received	(3,772,204)	-
Redemption of equity and loans	(4,890,055)	(4,629,828)
Disposals	(699,340)	(5,401)
Provisions	(64,773)	-
Reclassification	25	-
Group share of taxation	(591,333)	-
Balance as at 31 December 2000	<u>10,052,521</u>	<u>2,790,314</u>

Investment in joint ventures is further analysed as follows:

	31 December 2000 Group £	30 June 1999 Group £	31 December 2000 Company £	30 June 1999 Company £
Unlisted shares at cost	205,412	205,512	205,068	205,168
Partnership equity	9,520	34,702	-	-
Share of post acquisition profits	1,775,260	2,847,724	-	-
Share of post acquisition revaluation surpluses	3,441,406	4,690,817	-	-
	<u>5,431,598</u>	<u>7,778,755</u>	<u>205,068</u>	<u>205,168</u>
Loans to joint ventures	4,584,248	5,552,241	2,548,571	4,044,809
Other costs	36,675	49,500	36,675	41,976
	<u>10,052,521</u>	<u>13,380,496</u>	<u>2,790,314</u>	<u>4,291,953</u>

# **PORTFOLIO HOLDINGS LIMITED**

## **Notes to the Accounts**

for the 18 month period ended 31 December 2000 - Continued

### **11. (2) Investment in Joint Ventures - Continued**

The underlying assets and liabilities of the joint ventures attributable to the Group were:

	31 December 2000 £	30 June 1999 £
Fixed assets	16,194,467	19,176,029
Property stocks	3,025,320	6,151,006
Debtors	3,070,180	3,466,091
Cash at bank	3,669,680	2,898,099
Gross assets	<u>25,959,647</u>	<u>31,691,225</u>
Creditors due in less than one year	(11,135,436)	(9,594,484)
Creditors due in more than one year	(9,392,613)	(14,317,986)
Gross liabilities	<u>(20,528,049)</u>	<u>(23,912,470)</u>
	<u>5,431,598</u>	<u>7,778,755</u>

The group share of the results and balance sheets of certain joint ventures are as follows :

	The Exmoor Investment LP		The Exmoor Trading LP	
	31 December 2000 £	30 June 1999 £	31 December 2000 £	30 June 1999 £
Turnover	<u>835,355</u>	<u>718,465</u>	<u>876,660</u>	<u>4,434,396</u>
(Loss)/profit before and after tax	<u>(116,111)</u>	<u>172,926</u>	<u>40,040</u>	<u>375,815</u>
Investment properties	4,475,301	6,197,721	-	-
Property stock	-	-	879,441	1,158,703
Other current assets	438,352	1,584,386	49,973	979,138
Creditors due in less than one year	(1,261,394)	(337,656)	(255,209)	(257,566)
Creditors due in more than one year	(1,529,102)	(5,225,673)	(667,399)	(1,521,514)
Net assets	<u>2,123,157</u>	<u>2,218,778</u>	<u>6,806</u>	<u>358,761</u>

# **PORTFOLIO HOLDINGS LIMITED**

## **Notes to the Accounts**

for the 18 month period ended 31 December 2000 - Continued

### **11. (2) Investment in Joint Ventures - Continued**

	The Dartmoor LP		Piccadilly Plaza LP	
	31 December 2000 £	30 June 1999 £	31 December 2000 £	30 June 1999 £
Turnover	<u>490,267</u>	<u>330,513</u>	<u>1,152,849</u>	<u>622,488</u>
Profit before and after tax	<u>88,491</u>	<u>646,087</u>	<u>301,956</u>	<u>123,259</u>
Investment properties	4,187,500	2,419,018	8,250,000	7,000,000
Other current assets	492,851	212,970	349,870	486,326
Creditors due in less than one year	(704,231)	(1,593,888)	(2,460,432)	(6,238,668)
Creditors due in more than one year	(2,412,663)	-	(4,381,449)	-
Net assets	<u>1,563,457</u>	<u>1,038,100</u>	<u>1,757,989</u>	<u>1,247,658</u>

	Greenport Estates Limited		The APP LP	
	31 December 2000 £	30 June 1999 £	31 December 2000 £	30 June 1999 £
Turnover	<u>4,052,731</u>	<u>-</u>	<u>1,018,093</u>	<u>309,309</u>
Profit/(loss) before tax	238,762	(18,191)	535,092	60,061
Taxation	(65,246)	-	-	-
Profit/(loss) after tax	<u>173,516</u>	<u>(18,191)</u>	<u>535,092</u>	<u>60,061</u>
Property stock	-	1,013,793	-	288,876
Other current assets	750,525	35,499	15,846	297,790
Creditors due in less than one year	(710,010)	(1,057,482)	(12,064)	(458,673)
Net assets/(liabilities)	<u>40,515</u>	<u>(8,190)</u>	<u>3,782</u>	<u>127,993</u>

# **PORTFOLIO HOLDINGS LIMITED**

## **Notes to the Accounts**

for the 18 month period ended 31 December 2000 - Continued

### **11. ( 2 ) Investment in Joint Ventures - Continued**

	Caledonian Terminal Securities (Torphichen) Limited		Belvedere Smith Portfolio Limited	
	31 December 2000 £	30 June 1999 £	31 December 2000 £	30 June 1999 £
Turnover	<u>9,300,000</u>	<u>-</u>	<u>1,242,500</u>	<u>1,415,820</u>
Profit before tax	1,915,936	4,884	70,321	33,532
Taxation	(551,082)	(11,930)	(15,883)	-
Profit/(loss) after tax	<u>1,364,854</u>	<u>(7,046)</u>	<u>54,438</u>	<u>33,532</u>
Property stock	-	1,749,836	374,020	402,144
Other current assets	2,319,546	42,549	170,873	1,431,610
Creditors due in less than one year	(2,269,572)	(1,578,685)	(565,804)	(1,800,533)
Creditors due in more than one year	-	(210,785)	-	-
Net assets/(liabilities)	<u>49,974</u>	<u>2,915</u>	<u>(20,911)</u>	<u>33,221</u>
			Portfolio Land (IV) Limited	
			31 December 2000 £	30 June 1999 £
Turnover			<u>1,465,702</u>	<u>-</u>
Profit/(loss) before tax			19,583	(22,113)
Taxation			1,777	-
Profit/(loss) after tax			<u>21,360</u>	<u>(22,113)</u>
Property stock			82,468	885,170
Other current assets			1,391,140	19,236
Creditors due in less than one year			(1,474,312)	(358,153)
Creditors due in more than one year			-	(568,316)
Net liabilities			<u>(704)</u>	<u>(22,063)</u>

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 11. (2) Investment in Joint Ventures - Continued

The share of post acquisition reserves is analysed as follows:

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Share of trading profit	4,130,661	789,880
Share of net rent receivable	421,418	2,816,603
Share of other income	-	54,335
Share of results of participating interest	3,822	-
Share of administration expenses	(2,271,958)	(935,870)
Share of profit on sale of investment properties	680,338	390,615
	<u>2,964,281</u>	<u>3,115,563</u>
Share of interest receivable	-	50,400
Share of interest payable	(2,173)	(2,370,059)
	<u>2,962,108</u>	<u>795,904</u>
Share of profit before taxation attributable to the Group	(591,333)	(33,456)
	<u>2,370,775</u>	<u>762,448</u>
Profit after tax	(3,772,204)	(1,526,454)
Dividends	<u>(1,401,429)</u>	<u>(764,006)</u>
	<u>2,847,724</u>	<u>2,159,376</u>
Balance as at 1 July 1999/1998	990,498	1,452,354
Transfer from revaluation reserve	(661,533)	-
Sale of interest in joint venture		
Balance as at 31 December 2000/30 June 1999	<u>1,775,260</u>	<u>2,847,724</u>

Profit before tax of joint ventures is analysed as follows:

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Share of profit before tax arising from property investment	686,588	526,517
Share of profit before tax arising from property trading	2,275,520	269,387
	<u>2,962,108</u>	<u>795,904</u>

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 11. (2) Investment in Joint Ventures - Continued

Joint ventures are as follows:

Name	Country of Incorporation/ Formation	Proportion held	Nature of Business
City & Commercial Property Investments Limited	UK	50%	Property investment
The APP LP	UK	25%	Property trading
APP GP L.L.C.	Delaware, USA	25%	General partner in APP LP
The Exmoor Investment LP	Delaware, USA	** 18.75%	Property investment
APP GP (II) L.L.C.	Delaware, USA	25%	General partner in The Exmoor Inv'tment LP
The Exmoor Trading LP	Delaware, USA	** 18.75%	Property trading
APP GP (III) L.L.C.	Delaware, USA	25%	General partner in The Exmoor Trading LP
The Dartmoor LP	UK	25%	Property investment
Portfolio Land (IV) Limited	UK	50%	Property development and trading
Belvedere Smith Portfolio Limited	UK	50%	Property development and trading
Piccadilly Plaza LP	UK	25%	Property investment
Piccadilly Plaza Limited	UK	50%	General partner in Piccadilly Plaza LP
Piccadilly Plaza Holding Company Limited	UK	50%	Trustee structure for Piccadilly Plaza LP
Licet Holdings Limited	UK	50%	Property development and trading
London & Wessex Estates Limited	UK	50%	Property development and trading
Caledonian Terminal Securites (Torphichen) Ltd	Scotland	50%	Property development and trading
Greenport Estates Limited	UK	50%	Property development and trading
KP (Scotland) Limited	UK	50%	General partner in KP (North) LP
KP (South) Limited	UK	50%	General partner in KPLP

\*\* The partnership agreements for these entities state that the Group is entitled to an 18.75% share of adjusted profit from these entities. A share of 18.75% is the lowest that the Group can receive, however the structure of the partnership agreements means that the Group's share of profits will vary from year to year dependent on the level of activity in these entities.

### 12. Stock

Property held as trading stock is analysed as follows:

	31 December 2000 Group £	30 June 1999 Group £
Property held as trading stock	26,419,758	27,414,009
Work in progress	1,922,793	469,730
	<u>28,342,551</u>	<u>27,883,739</u>

Work in progress relates to the development of foodparks at Cardiff and Swindon.



# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000 - Continued

### 13. Debtors: amounts falling due within one year

Debtors are analysed as follows:

	31 December 2000 Group £	30 June 1999 Group £	31 December 2000 Company £	30 June 1999 Company £
Trade debtors	249,332	6,634,632	3,888	160,110
Amounts owed by subsidiary undertakings	-	-	1,196,843	1,082,757
Amounts owed by joint ventures	697,382	413,071	695,699	384,005
Other debtors	355,710	137,097	183,076	101,156
Corporation tax recoverable	182,231	5,670	172,058	-
Prepayments and accrued income	614,576	144,432	603,510	96,501
	<u>2,099,231</u>	<u>7,334,902</u>	<u>2,855,074</u>	<u>1,824,529</u>

### 14. Creditors: amounts falling due within one year

Creditors due within one year are analysed as follows:

	31 December 2000 Group £	30 June 1999 Group £	31 December 2000 Company £	30 June 1999 Company £
Bank loans and overdrafts	2,173,891	9,434,807	-	2,227,508
Amounts owed to shareholders	727,932	500,000	727,932	500,000
Amounts owed to minority interests	573,124	713,124	-	-
Amounts owed to subsidiaries	-	-	697,824	976,834
Amounts owed to joint ventures	90,683	160,705	83,509	160,000
Other creditors	169,217	98,959	22,271	-
Corporation tax	829,899	775,821	369,877	154,701
Accruals and deferred income	951,761	1,787,131	210,758	407,712
	<u>5,516,507</u>	<u>13,470,547</u>	<u>2,112,171</u>	<u>4,426,755</u>

On 9 April 1998 the Company's wholly owned subsidiary, Portfolio Land III Limited, entered into a £2,100,000 loan for a term of one year. The facility has subsequently been extended to 31 March 2002. The loan is secured by means of a fixed charge over a trading property held by Portfolio Land III Limited and by a floating charge over the assets of that company.

## PORTFOLIO HOLDINGS LIMITED

### Notes to the Accounts

for the 18 month period ended 31 December 2000

#### 15. Creditors: amounts falling due after more than one year

Creditors due after one year are analysed as follows:

	31 December 2000 Group £	30 June 1999 Group £
Bank loans	18,162,063	17,997,461
	<u>18,162,063</u>	<u>17,997,461</u>

Creditors are further analysed as follows:

	31 December 2000 Group £	30 June 1999 Group £
Bank loans due in one to two years	2,887,805	-
Bank loans due in two to five years	15,274,258	17,997,461
	<u>18,162,063</u>	<u>17,997,461</u>

On 22 September 1998 the Company's wholly owned subsidiary, Staffordshire Securities Limited, entered into a £3,750,000 loan for a fixed term of five years. An additional loan of £215,000 was entered into on 30 November 1998 for a fixed term of four years and ten months. The loan is secured by means of a fixed charge over a portfolio of properties held by Staffordshire Securities Limited and by a floating charge over the assets of that company.

On 10 March 1999 the Company's 80% owned subsidiary undertaking, KPLP, entered into a £6,300,000 loan for a fixed term of five years. The loan is secured by means of a fixed charge over a portfolio of properties held by KPLP and by a floating charge over the assets of that undertaking.

On 26 March 1999 the Company's 80% owned subsidiary undertaking, KP(North) LP, entered into a £8,075,000 loan for a fixed term of four years. The loan is secured by means of a fixed charge over a portfolio of properties held by KP (North) LP and by a floating charge over the assets of that undertaking.

On 8 November 1999 the Company's wholly owned subsidiary undertaking, Foodparks UK Limited, entered into a £1,000,000 loan for a fixed term of three years. The loan is secured by means of a fixed charge over a property held by Foodparks UK Limited and by a floating charge over the assets of that company.

On 19 May 2000 the Company's wholly owned subsidiary undertaking, Portfolio Land V Limited, entered into a £1,925,000 loan for a fixed term of two years. The loan is secured by means of a fixed charge over a property held by Portfolio Land V Limited and by a floating charge over the assets of that company.

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000

### 16. Share Capital - Group and Company

	31 December 2000 Number	Authorised 30 June 1999 Number	31 December 2000 £	Allotted, called up and fully paid 30 June 1999 £
Equity shares:				
Ordinary shares of £1 each	4,722,836	5,000,000	2,752,367	3,010,103
	<u>4,722,836</u>	<u>5,000,000</u>	<u>2,752,367</u>	<u>3,010,103</u>

On 23 December 1999, 277,164 ordinary shares of the Company were repurchased for a total consideration of £1,850,000. These shares were subsequently cancelled.

On 11 January 2000, 19,428 ordinary shares were issued to Mourant & Co. Trustees Limited as trustees of the Portfolio Holdings Limited Management Incentive Scheme for £141,001 cash of which £121,573 was credited to share premium.

### 17. Reserves

The Group's profit and loss account is analysed as follows:

	Profit and Loss Account £
Balance as at 1 July 1999	3,919,206
Retained profit for the period	2,309,679
Amount written off in respect of share buy back	(1,859,250)
Realised revaluation surpluses	927,005
Balance as at 31 December 2000	<u>5,296,640</u>

The Group's other reserves are analysed as follows:

	Share Premium Account £	Revaluation Reserve £	Capital Reserve £	Capital Redemption Reserve £
Balance as at 1 July 1999	4,993,886	4,620,325	879,858	2,180,576
Premium on shares issued	121,573	-	-	-
Share of joint ventures' unrealised deficit on property revaluation	-	(251,914)	-	-
Realised revaluation surpluses	-	(927,005)	-	-
Reserve created on buyback of shares	-	-	-	277,164
Release of provision for acquisition costs	-	-	24,512	-
Balance as at 31 December 2000	<u>5,115,459</u>	<u>3,441,406</u>	<u>904,370</u>	<u>2,457,740</u>

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000

### 17. Reserves - continued

The Company's reserves are analysed as follows:

	Capital Redemption Reserve £	Share Premium Account £	Profit and Loss Account £
Balance as at 1 July 1999	2,180,576	4,993,886	814,235
Retained profit for the period	-	-	4,995,841
Premium on shares issued	-	121,573	-
Amount written off in respect of share buy back	-	-	(1,859,250)
Reserve created on buyback of shares	277,164	-	-
Balance as at 31 December 2000	<u>2,457,740</u>	<u>5,115,459</u>	<u>3,950,826</u>

### 18. Reconciliation of Movement in Shareholders' Funds

	31 December 2000 £	30 June 1999 £
Profit for the financial period/year	2,309,679	602
Other recognised gains and losses relating to the period/year (net)	(251,914)	1,873,326
New share capital subscribed	141,001	1,409,999
Redemption of deferred shares	-	(22)
Repurchase of ordinary shares	(1,859,250)	-
Adjustment to capital reserve created on acquisition of subsidiaries	24,512	-
Net increase in shareholders' funds	<u>364,028</u>	<u>3,283,905</u>
Shareholders' funds as at 1 July 1999/1998	19,603,954	16,320,049
Shareholders' funds as at 31 December 2000/30 June 1999	<u>19,967,982</u>	<u>19,603,954</u>

# PORTFOLIO HOLDINGS LIMITED

## Notes to the Accounts

for the 18 month period ended 31 December 2000

### 19. Cash Flow Statement

#### 19. ( 1 ) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Operating profit	4,844,264	4,040,690
Share of results of joint ventures	(2,964,281)	(3,115,563)
Profit on sale of investment properties	(13,140)	(521,316)
Depreciation	86,145	49,369
Trading stock provision	779,022	-
Provision against loan to joint venture	64,748	-
Increase in work in progress	(973,483)	(17,478,828)
Decrease in debtors	5,412,232	1,025,476
Decrease in creditors	(705,828)	(2,025,818)
	<u>6,529,679</u>	<u>(18,025,990)</u>

#### 19. ( 2 ) Analysis of changes in net debt

	Cash £	Overdrafts & other loans of less than one year £	Other loans over one year £
Balance as at 1 July 1999	812,885	(10,647,931)	(17,997,461)
Cashflow during the period	2,020,940	2,217,416	-
Cash outflow/(inflow) from decrease/(increase) in debt	-	5,015,568	(148,945)
Facility fees paid	-	-	113,864
Facility fees written off	-	-	(158,930)
Facility fees capitalised	-	-	(30,591)
Transfer	-	(60,000)	60,000
Balance as at 31 December 2000	<u>2,833,825</u>	<u>(3,474,947)</u>	<u>(18,162,063)</u>

#### 19. ( 3 ) Analysis of acquisitions and disposals

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Sale of investment properties	1,313,140	6,021,316
Purchase of subsidiary undertakings	24,512	-
Purchase of interests in joint ventures	(200)	(4,380,307)
Joint venture loans provided	(3,979,311)	-
Receipts from repayment of joint venture equity	699,340	2,442,676
Receipts from repayment of joint venture loans	4,890,055	1,388,500
	<u>2,947,536</u>	<u>5,472,185</u>

## PORTFOLIO HOLDINGS LIMITED

### Notes to the Accounts

for the 18 month period ended 31 December 2000

#### 19. Cash Flow Statement - continued

##### 19. ( 4 ) Analysis of financing

	18 months ended 31 December 2000 £	12 months ended 30 June 1999 £
Issue of share capital	141,001	1,409,999
Repurchase of share capital	(1,859,250)	-
Redemption of deferred shares	-	(22)
Increase in bank loans	2,925,000	18,321,310
Repayment of bank loans	(7,879,555)	(8,666,899)
Increase in shareholder loans	-	500,000
Repayment of shareholder loans	-	(2,000,000)
Increase in loans from minority shareholders	-	713,124
Repayment of loan to minority shareholder	(140,000)	(99,583)
Facility fees paid	(113,864)	-
	<u>(6,926,668)</u>	<u>10,177,929</u>

#### 20. Related Party Transactions

The Company provides management services for which it charges fees to certain of its joint ventures including The Exmoor Investment LP, The Exmoor Trading LP, The Dartmoor LP, APP LP, Piccadilly Plaza LP, Belvedere Smith Portfolio Limited, London & Wessex Estates Limited, City & Commercial Property Investments Limited, Caledonian Terminal Securities (Torphichen) Limited and Portfolio Land IV Limited. Management fees charged to associates totalled £1,101,740 (1999 - £414,614). As at 31 December 2000, fees totalling £322,580 were outstanding from these entities (1999 - £93,445).

The Company also provides management services for which it charges fees to certain of its subsidiary undertakings including KPLP and KP (North) LP in which it has an 80% interest. Management fees charged to these entities totalled £21,653 (1999 - £7,710). As at 31 December 2000, fees totalling £2,788 were outstanding from these entities (1999 - £7,770).

The Company has taken advantage of the exemption allowing transactions with subsidiary undertakings in which it has an interest of 90% or more not to be disclosed.

#### 21. Management Incentive Scheme

The Group operates a management incentive scheme which is designed to provide motivation for directors and staff in the furtherance of the Group's objectives. A total bonus pool is calculated each year dependent on the growth in the pro-forma net assets of the Group. One third of this amount is paid out as cash bonuses with the remaining two thirds being awarded as shares in the Company. The chief executive is responsible for putting forward a proposed allocation of the bonus amount and this must be approved by the board of directors. Shares allocated are held by Maurant & Co. Trustees Limited as trustees of the Portfolio Holdings Employee Share Ownership Trust for a three year period during which time they may be forfeited should the individual to whom they were allocated leave the Group's employment.

The amount of the management incentive scheme allocation is charged to the profit and loss account in the year to which it relates. There is no allocation for the period ended 31 December 2000 (1999 - £211,300).

## **PORTFOLIO HOLDINGS LIMITED**

### **Notes to the Accounts**

**for the 18 month period ended 31 December 2000**

#### **22. Contingent Liabilities**

The Company has entered into a put option with Britannia Life, the purchasers of the former Eaden Lilley department store in Cambridge. The put option is exercisable by Britannia Life in the event that the redevelopment of the store is not carried out to specification by the Company's partners, Frame Investments Limited. The redevelopment project has been completed and it is not envisaged that the put option will be exercisable. The Company is entitled to receive a share of the development profits as consideration for entering into the option.

The Company has provided an all monies guarantee to Bank of Scotland in respect of a £2,100,000 facility provided to its wholly owned subsidiary, Portfolio Land III Limited

The Company has provided an all monies guarantee limited to £300,000 to Anglo Irish Bank Corporation PLC in respect of a facility provided to its subsidiary, KP LP. As at 31 December 2000, the Company had an 80% interest in KP LP.

The Company has provided an interest shortfall guarantee limited to £100,000 to Bank of Scotland in respect of a facility provided to its subsidiary, KP (North) LP. As at 31 December 2000, the Company had an 80% interest in KP (North) LP.

The Company has provided an interest shortfall guarantee limited to £1,500,000 to Bank of Scotland in respect of a facility provided to Mayfair LP. A 50% interest in Mayfair LP is held by Portfolio Holdings (Investments) LP. Europa have provided an indemnity to the Company in respect of 50% of any amounts which may fall due under this guarantee and the Company charges a fee for the provision of this guarantee.

The Company has provided a principal guarantee of £828,000 to Bank of Scotland in respect of a development facility provided to Licet Developments (1) Limited. As at 31 December 2000, the Company had a 50% interest in Licet Developments (1) Limited. The guarantee is joint and several with London & Paris Limited, the owners of the remaining 50% interest.

The Company has provided an all monies guarantee to Julian Hodge Bank Limited in respect of a £1,000,000 facility provided to its subsidiary, Foodparks UK Limited. As at 31 December 2000, the Company had an 85% interest in Foodparks UK Limited.

The Company has provided a principal guarantee limited to £500,000 and an interest shortfall guarantee to Anglo Irish Bank Corporation PLC in respect of a £1,925,000 facility provided to its wholly owned subsidiary, Portfolio Land V Limited. The interest shortfall guarantee will fall away on receipt of a satisfactory planning consent.

The Company has provided a cost overrun guarantee limited to £1,000,000 in respect of an acquisition and development facility provided to Piccadilly Plaza LP by BHF-BANK AG. As at 31 December 2000 the Company had a 25% interest in Piccadilly Plaza LP.

The directors do not anticipate that any losses will arise from these contingent liabilities.

#### **23. Post Balance Sheet Events**

On 15 May 2001 the Company repurchased 408,209 ordinary shares at a price of £8.3165 per share and on 28 August 2001 the Company repurchased a further 379,051 ordinary shares at a price of £8.3165 per share.

#### **24. Holding Company**

A 37.77% interest in the Company is owned by AP Pelham Partners VII LP and a further 55.19% interest is held by AP Pelham Partners XIII LP.