

POSTHOLD LIMITED
FINANCIAL STATEMENTS
FOR
30 JUNE 2003

Company Registration Number 2833065

SHAH DODHIA & CO
Chartered Accountants & Registered Auditors
First Floor
22 Stephenson Way
Euston
London
NW1 2LE



POSTHOLD LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

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POSTHOLD LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2003

The directors present their report and the financial statements of the group for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group is property trading and investment.

RESULTS AND DIVIDENDS

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS

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 £0.01 each	
	At	At
	30 June 2003	1 July 2002
Mr J W Boulton	393,244	393,244
Yuills Limited	236,606	236,606
West Central Developments Limited	<u>370,150</u>	<u>370,150</u>

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 and of the group at the end of the year and of the group's 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 pages 9 and 10, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

POSTHOLD LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2003

AUDITORS

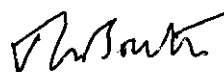
In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to re-appoint the auditors annually.

KPMG resigned as joint auditors and Shah Dodhia & Co, previously joint auditors, became sole auditors with effect from 26 July 2002.

Registered office:

126 Kew Road
Richmond
Surrey
TW9 2AU

Signed on behalf of the directors



J W Boulton
Director

Approved by the directors on 7 April 2004.

POSTHOLD LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 30 JUNE 2003

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

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 THE DIRECTORS AND THE 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 page 1.

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. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION


We conducted our audit in accordance with 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 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 the company's affairs and of the group as at 30 June 2003 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

First Floor
22 Stephenson Way
Euston
London NW1 2LE
28 April 2004


SHAH DODHIA & CO
Chartered Accountants
& Registered Auditors

POSTHOLD LIMITED
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2003

	Note	2003 £	2002 £
GROUP NET PROFIT FROM PROPERTIES	2	36,794	138,492
Cost of sales		67,966	39,437
GROSS (LOSS)/PROFIT		(31,172)	99,055
Administrative expenses		24,955	186,607
Other Operating Income		(105,893)	—
OPERATING PROFIT/(LOSS)	3	49,766	(87,552)
Profit on disposal of fixed assets	5	150,140	323,415
		199,906	235,863
Interest receivable	6	6,917	13,264
Interest payable and similar charges	7	(42,313)	(75,236)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		164,510	173,891
Tax on profit on ordinary activities	8	8,271	—
RETAINED PROFIT FOR THE FINANCIAL YEAR	9	156,239	173,891

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Group Profit and Loss Account.

POSTHOLD LIMITED
GROUP BALANCE SHEET
30 JUNE 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Investments	10	206,491	720,812
CURRENT ASSETS			
Debtors	11	243,853	82,699
Cash at bank		624,235	676,355
		<u>868,088</u>	<u>759,054</u>
CREDITORS: Amounts falling due within one year	12	<u>1,668,979</u>	<u>2,119,749</u>
NET CURRENT LIABILITIES		<u>(800,891)</u>	<u>(1,360,695)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(594,400)</u>	<u>(639,883)</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Other Provisions	13	330,367	441,123
		<u>(924,767)</u>	<u>(1,081,006)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	10,000	10,000
Revaluation reserve	17	396,525	396,525
Group Profit and Loss Account	17	(1,331,292)	(1,487,531)
DEFICIENCY	18	<u>(924,767)</u>	<u>(1,081,006)</u>

These financial statements were approved by the directors on 24 April 2004 and are signed on their behalf by:



MR J W BOULTON

POSTHOLD LIMITED

BALANCE SHEET

30 JUNE 2003

	Note	2003 £	£	2002 £	£
Investments	10		2		2
CURRENT ASSETS					
Debtors	11	5,616,576		5,538,557	
Cash at bank		5		—	
		<u>5,616,581</u>		<u>5,538,557</u>	
CREDITORS: Amounts falling due within one year	12	<u>7,186,729</u>		<u>7,132,708</u>	
NET CURRENT LIABILITIES			<u>(1,570,148)</u>		<u>(1,594,151)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(1,570,146)</u>		<u>(1,594,149)</u>
CAPITAL AND RESERVES					
Called-up equity share capital	16		10,000		10,000
Profit and Loss Account	17		<u>(1,580,146)</u>		<u>(1,604,149)</u>
DEFICIENCY			<u>(1,570,146)</u>		<u>(1,594,149)</u>

These financial statements were approved by the directors on 28 April 2004 and are signed on their behalf by:



MR J W BOULTON

POSTHOLD LIMITED
GROUP CASH FLOW
YEAR ENDED 30 JUNE 2003

	2003	2002
	£	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(326,919)	(292,150)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	6,917	13,264
Interest paid	<u>(42,313)</u>	<u>(75,236)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(35,396)	(61,972)
TAXATION	(358,652)	—
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Receipts from sale of fixed assets	720,593	648,262
Additions to Investments	<u>(56,128)</u>	<u>(110,970)</u>
NET CASH INFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	664,465	537,292
CASH INFLOW BEFORE FINANCING	56,502	183,170
FINANCING		
Repayment of bank loans	<u>—</u>	<u>—</u>
NET CASH OUTFLOW FROM FINANCING	—	—
INCREASE/(DECREASE) IN CASH	56,502	183,170

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating profit/(loss)	49,766	(87,552)
(Increase)/Decrease in debtors	(161,154)	239,186
(Decrease)/Increase in creditors	(104,776)	(219,906)
(Decrease)/Increase in provisions	(110,755)	(223,878)
Net cash (outflow)/inflow from operating activities	(326,919)	(292,150)

POSTHOLD LIMITED
GROUP CASH FLOW *(continued)*
YEAR ENDED 30 JUNE 2003

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003		2002	
	£	£	£	£
Increase/(Decrease) in cash in the period	56,502		183,170	
Net cash outflow from bank loans	—		—	
	<u>56,502</u>		<u>183,170</u>	
Change in net debt	(56,502)		183,170	
Net debt at 1 July 2002	(399,196)		(582,366)	
Net debt at 30 June 2003	<u>(455,698)</u>		<u>(399,196)</u>	

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jul 2002 £	Cash flow £	At 30 Jun 2003 £
Net cash:			
Cash in hand and at bank	676,355	(52,115)	624,240
Overdrafts	(203,585)	(4,387)	(207,972)
	<u>472,770</u>	<u>(56,502)</u>	<u>416,268</u>
Debt:			
Debt due within 1 year	(871,966)	—	(871,966)
Net debt	<u>(399,196)</u>	<u>(56,502)</u>	<u>(455,698)</u>

POSTHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over its useful economical life from the year of acquisition. The results of the companies acquired or disposed of are included in the profit and loss account after or up to the date control passes respectively.

The company is exempt from preparing a profit and loss account in accordance with Section 230(4) of the Companies Act 1985.

In the company's own balance sheet, investments in subsidiary and associated undertakings are included at cost.

Rental income

Rental income comprises rent receivable, credit for which is taken on an accruals basis and service charge income, credit for which is taken on a cash paid basis.

Investment properties

In accordance with Statement of Accounting Practice No.19 - Accounting for investment properties:

- i. investment properties are revalued periodically at open market values. Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year.
- ii. no depreciation or amortisation is provided in respect of freehold investment properties.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

POSTHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. ACCOUNTING POLICIES...cont'd**Deferred Tax**

The group has adopted the provisions of FRS19 'Deferred Tax' during the year. Deferred tax is provided on timing differences, using the liability method.

Provision for any deferred tax which might become payable on the disposal of the group's investment properties at their revalued amounts is made only when it is decided in principle to dispose of the asset concerned.

2. NET PROFIT FROM PROPERTIES

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Rental Income	27,553	100,124	—	—
Property Outgoings	9,241	38,368	—	—
Profit on property trading	—	—	—	—
	<u>36,794</u>	<u>138,492</u>	<u>—</u>	<u>—</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2003	2002
	£	£
Auditors' remuneration		
- as auditors	<u>14,312</u>	<u>7,250</u>

4. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during the year.

5. PROFIT ON DISPOSAL OF FIXED ASSETS

	2003	2002
	£	£
Profit on disposal of fixed assets	<u>150,140</u>	<u>323,415</u>

POSTHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

6. INTEREST RECEIVABLE

	2003	2002
	£	£
Bank interest receivable	6,917	13,264
	<u>6,917</u>	<u>13,264</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest payable on bank borrowing	42,313	63,611
Other similar charges payable	—	11,625
	<u>42,313</u>	<u>75,236</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES**Taxation**

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on taxable profits for the year at nil (2002 - nil)	—	—
Total current tax	—	—
Prior year adjustment	8,271	—
	<u>8,271</u>	<u>—</u>
Tax on profit on ordinary activities	<u>8,271</u>	<u>—</u>

Tax arising on profits for the year has been relieved by losses brought forward.

No deferred tax asset in respect of tax losses carried forward has been recognized as there is no certainty of these losses being used.

Provision for any deferred tax which might become payable on the disposal of the group's investment properties at their revalued amounts is made only when it is decided in principle to dispose of the asset concerned.

There are no other timing differences for which deferred tax ought to be provided.

9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £24,003 (2002: £26,486).

POSTHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

10. INVESTMENTS

Group	Total £
COST:	
At 1 July 2002	720,812
Additions	56,128
Disposals	(570,449)
At 30 June 2003	<u>206,491</u>
NET BOOK VALUE:	
At 30 June 2003	<u>206,491</u>
At 30 June 2002	<u>720,812</u>

The investment properties are stated at directors' valuation.

Company

	Total £
COST	
At 1 July 2002 and 30 June 2003	<u>2</u>
NET BOOK VALUE	
At 30 June 2003	<u>2</u>
At 30 June 2002	<u>2</u>

Investments in group undertakings comprise 100 % interest in the called up share capital of the following companies registered in England and Wales.

Company	Principal Activity	Shares
Stafftrade Limited	Property Investment	£1
Plustrade Limited	Property Trading	£1

POSTHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

11. DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	132,761	36,910	—	—
Amounts owed by group undertakings	—	—	5,616,576	5,538,557
Other debtors	111,092	42,789	—	—
Prepayments and Accrued Income	—	3,000	—	—
	<u>243,853</u>	<u>82,699</u>	<u>5,616,576</u>	<u>5,538,557</u>

12 CREDITORS: Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans and overdrafts	1,079,938	1,075,551	871,966	871,966
Amounts owed to group undertakings	—	—	5,874,761	5,783,539
Other creditors	140,041	191,996	2	2
Accruals and deferred income	449,000	501,821	440,000	477,201
Corporation Tax	—	350,381	—	—
	<u>1,668,979</u>	<u>2,119,749</u>	<u>7,186,729</u>	<u>7,132,708</u>

The bank loans are secured over the group's assets. Interest on the loans is payable at Libor plus 2 ½ %.

13. OTHER PROVISIONS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
In respect of settlement of disputes and legal costs associated therewith.	<u>330,367</u>	<u>441,122</u>	<u>—</u>	<u>—</u>

The information required by FRS 12, 'Provisions and contingent liabilities' is not disclosed on the grounds that disclosure of such information would seriously prejudice the position of the group companies with other parties. The amounts are anticipated to be expended in the next two years.

14. CONTINGENT LIABILITIES

The group had no further contingent liabilities at the year end, other than those for which provisions have been made in the accounts.

POSTHOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

15. RELATED PARTY TRANSACTIONS

The directors have been advised that the The Hongkong and Shanghai Banking Corporation Ltd, Canto Consulting, and Bank of Ireland are related parties of the company within the meaning of FRS8, by virtue of arrangements surrounding the shareholding structure of Posthold Ltd. At 30 June 2003, these institutions had advanced all the bank loans.

16. SHARE CAPITAL**Authorised share capital:**

	2003 £	2002 £
1,000,000 Ordinary shares of £0.01 each	<u>10,000</u>	<u>10,000</u>

	2003 £	2002 £
Ordinary share capital	<u>10,000</u>	<u>10,000</u>

17. RESERVES**Group**

	Revaluation reserve £	Profit and loss account £
Balance brought forward	396,525	(1,487,531)
Retained profit for the year	—	156,239
Balance carried forward	<u>396,525</u>	<u>(1,331,292)</u>

Company

	Profit and loss account £
Balance brought forward	(1,604,149)
Profit for the year	24,003
Balance carried forward	<u>(1,580,146)</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	156,239	173,891
Revaluation reserves	—	—
Net addition to funds	<u>156,239</u>	<u>173,891</u>
Opening shareholders' equity deficit	(1,081,006)	(1,254,897)
Closing shareholders' equity deficit	<u>(924,767)</u>	<u>(1,081,006)</u>