

**REGISTRAR OF
COMPANIES**

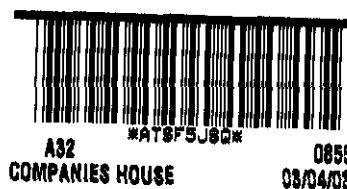
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DCD London & Mutual Plc

Report and Financial Statements

Year Ended

31 December 2002



BDO

BDO Stoy Hayward
Chartered Accountants

DCD LONDON & MUTUAL PLC

Annual report and financial statements for the year ended 31 December 2002

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Directors

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Directors

A G Randeree
S A Randeree
I G M Essack
C Wilson
C A Jadwat
Z J Vakil
J A Manjoo

Secretary and registered office

C E Shelley, Churchill House, 142-146 Old Street, London, EC1V 9BW.

Company number

02896868

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

DCB LONDON & MUTUAL PLC

Report of the directors for the year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

Results and dividend

The profit and loss account is set out on page 5 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activities of the group are property investment, property management, trade finance and factoring.

During the year the group disposed of part of its investments in the Innovation Group Plc. The loss from this transaction contributed to the retained loss for the year of £427,511 (2001 – profit £1,419,584).

In the year ahead the group will continue to focus and strive to improve profitability from its core areas of business.

Policy on payment of creditors

It is the company's policy to pay creditors in accordance with the terms of contracts negotiated with suppliers, clients and providers of finance.

Charitable contributions

During the year the group made donations totalling £22,815 (2001 - £38,407) to charitable organisations.

Directors

The directors of the company during the year and their interests, including family interests, in the share capital of the company were as follows:

	Ordinary shares of £1 each	
	2002	2001
A G Randeree	10,666	10,666
S A Randeree	6,000	6,000
I G M Essack	-	-
C Wilson	-	-
C A Jadwat	-	-
Z J Vakil	-	-
J A Manjoo	-	-

DCD LONDON & MUTUAL PLC

Report of the directors for the year ended 31 December 2002 (*Continued*)

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

S A Randeree

Director

Date


27th March 2003.

DCD LONDON & MUTUAL PLC

Report of the independent auditors

To the shareholders of DCD London & Mutual Plc

We have audited the financial statements of DCD London & Mutual Plc for the year ended 31 December 2002 on pages 5 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

DCD LONDON & MUTUAL PLC

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 December 2002 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors
London*

27 March 2003

DCD LONDON & MUTUAL PLC

Consolidated profit and loss account for the year ended 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Turnover	2				
Continuing operations			5,295,705		5,611,772
Discontinued operations			-		2,305,291
			<hr/>		<hr/>
			5,295,705		7,917,063
Cost of sales					
Continuing operations		-		-	
Discontinued operations		<hr/> -		<u>2,035,853</u>	
			-		(2,035,853)
			<hr/>		<hr/>
Gross profit			5,295,705		5,881,210
Administrative expenses					
Continuing operations		3,074,966		3,602,936	
Discontinued operations		-		937,965	
		<hr/>	(3,074,966)	<hr/>	(4,540,901)
Other operating income					
Continuing operations		192,728		144,015	
Discontinued operations		-		213,572	
		<hr/>	192,728	<hr/>	357,587
Operating profit					
Continuing operations		2,413,467		2,152,851	
Discontinued operations		-		(454,955)	
		<hr/>	2,413,467	<hr/>	1,697,896
	5				
Profit on disposal of discontinued operations			-		115,629
(Loss)/profit on sale of fixed asset investments			(146,543)		1,987,888
			<hr/>		<hr/>
Profit on ordinary activities before interest			2,266,924		3,801,413
Interest and similar charges	6		(1,807,683)		(1,863,898)
			<hr/>		<hr/>
Profit on ordinary activities before taxation			459,241		1,937,515
Taxation	7		(665,340)		(383,348)
			<hr/>		<hr/>
(Loss)/profit on ordinary activities after taxation			(206,099)		1,554,167
Minority interest			(221,412)		(134,583)
			<hr/>		<hr/>
(Loss)/profit for the year	18		(427,511)		1,419,584
			<hr/>		<hr/>

The notes on pages 10 to 23 form part of these financial statements.

DCD LONDON & MUTUAL PLC

Consolidated statement of total recognised gains and losses for the year ended 31 December 2002

	2002 £	2001 £
Consolidated statement of total recognised gains and losses		
(Loss)/profit for the year	(427,511)	1,419,584
Unrealised loss on change in minority interests	-	(50,279)
	<hr/>	<hr/>
Total recognised gains and losses for the year	<u>(427,511)</u>	<u>1,369,305</u>

The notes on pages 10 to 23 form part of these financial statements.

DCD LONDON & MUTUAL PLC

Consolidated balance sheet at 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	8		29,723,541		29,783,578
Investments	9		29,987		1,000,249
			<hr/>		<hr/>
			29,753,528		30,783,827
Current assets					
Debtors	11	14,002,856		11,623,039	
Investment	12	63,313		63,313	
Cash at bank and in hand		8,446,046		8,243,549	
		<hr/>		<hr/>	
		22,512,216		19,929,901	
Creditors: amounts falling due within one year	13	18,423,856		15,959,712	
		<hr/>		<hr/>	
Net current assets			4,088,360		3,970,189
			<hr/>		<hr/>
Total assets less current liabilities			33,841,888		34,754,016
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	14		21,497,188		22,203,217
			<hr/>		<hr/>
			12,344,700		12,550,799
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		2,166,660		2,166,660
Revaluation reserve	17		3,315,114		3,315,114
Profit and loss account	18		2,045,440		2,472,951
			<hr/>		<hr/>
Shareholders' funds	19		7,527,214		7,954,725
			<hr/>		<hr/>
Minority interest – equity			4,817,486		4,596,074
			<hr/>		<hr/>
			12,344,700		12,550,799
			<hr/>		<hr/>

Included in shareholders' funds is an amount of £2,000,000 in respect of non-equity interests.

The financial statements were approved by the Board on 27th March 2003.

C Wilson)
S A Randeree) **Directors**

The notes on pages 10 to 23 form part of these financial statements.

DCD LONDON & MUTUAL PLC

Company balance sheet at 31 December 2002

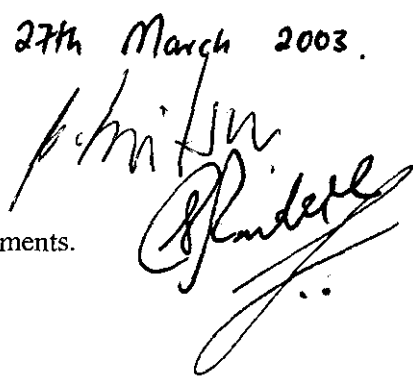
	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	8		5,272,155		5,287,287
Investments	9		2,150,737		3,120,999
			<hr/>		<hr/>
			7,422,892		8,408,286
Current assets					
Debtors	11	1,648,209		1,216,213	
Investments	12	63,313		63,313	
Cash at bank and in hand		19,699		1,703,776	
		<hr/>		<hr/>	
		1,731,221		2,983,302	
Creditors: amounts falling due within one year	13	440,555		2,152,343	
		<hr/>		<hr/>	
Net current assets			1,290,666		830,959
			<hr/>		<hr/>
Total assets less current liabilities			8,713,558		9,239,245
Creditors: amounts falling due after more than one year	14		2,639,592		2,563,930
			<hr/>		<hr/>
			6,073,966		6,675,315
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		2,166,660		2,166,660
Revaluation reserves	17		2,869,672		2,869,672
Profit and loss account	18		1,037,634		1,638,983
			<hr/>		<hr/>
Shareholders' funds	19		6,073,966		6,675,315
			<hr/>		<hr/>

Included in shareholders' funds is an amount of £2,000,000 in respect of non-equity interests.

The financial statements were approved by the Board on 27th March 2003.

C Wilson)
S A Randeree) **Directors**

The notes on pages 10 to 23 form part of these financial statements.



DCD LONDON & MUTUAL PLC

Consolidated cash flow statement for the year ended 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Net cash inflow from operating activities	21		263,461		2,791,076
Returns on investments and servicing of finance					
Interest paid			(1,807,683)		(1,863,898)
Taxation					
Paid during the year			(626,057)		(303,192)
Capital expenditure and financial investment					
Payments to acquire tangible and current assets			(49,945)		(170,235)
Disposals and acquisition					
Disposal of investments		823,718		2,824,521	
Additional investments made		-		(754,001)	
			823,718		2,070,520
Financing					
Repayment of loans		(706,029)		(51,985)	
Finance lease		(114,504)		(265,111)	
			(820,533)		(317,096)
(Decrease)/increase in cash			(2,217,039)		2,207,175

The notes on pages 10 to 23 form part of these financial statements.

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate those of DCD London & Mutual Plc and all of its subsidiaries for the financial year. Subsidiaries are consolidated using the acquisition method and their results are included from the date of acquisition. All subsidiaries have prepared financial statements to 31 December 2002.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors estimate of its useful economic life. The profit and loss on the disposal of a business includes any goodwill arising on acquisition which was previously eliminated against reserves under the former group policy.

Turnover

Turnover represents the total invoiced value exclusive of value added tax in respect of services rendered and commissions received during the year. All services were provided in the United Kingdom.

Tangible fixed assets

Depreciation is provided on fixed assets from the date of acquisition and up to the date of disposal at the following annual rates which are estimated to write off their cost on a straight line basis over their expected useful lives:

Leasehold improvements	-	5% per annum
Fixtures, fittings and equipment	-	10% per annum
Computer equipment	-	33⅓% per annum
Motor vehicles	-	25% per annum

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

1 Accounting policies (Continued)

Leased assets (Continued)

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Investment properties

In accordance with SSAP 19 no depreciation is provided in respect of freehold properties. This treatment is a departure from the requirement of the Companies Act 1985 that depreciation is charged to write off the value of the investment properties, less any estimated residual value, systematically over the period of the asset's useful economic life. The effect of this departure has not been quantified because it is impractical. 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 financial statements to give a true and fair view.

Deferred taxation

Following the adoption of FRS 19, "Deferred Tax", deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The adoption of the FRS 19 has not had a material impact on the result of the current or prior period.

Deferred tax liabilities and assets are not discounted.

Foreign currency

Foreign currency transactions are translated at the rates prevailing when they occurred except for Revelate Limited and Warrenby Limited where an average rate is used. All assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the date of the balance sheet.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. Pension payments are charged against the profits in the year to which they relate.

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

2 Analysis of results by class of business

In the directors' opinion the disclosure of this information would be prejudicial to the interests of the company. This information has therefore not been disclosed.

3 Employees

	2002 £	2001 £
Staff costs consist of:		
Wages and salaries	1,244,831	1,062,626
Social security costs	109,324	104,524
Other pension costs	49,586	4,642
	<u>1,403,741</u>	<u>1,171,792</u>

The average number of employees, including directors, employed by the group, during the year was 34 (2001 -37).

4 Directors

	2002 £	2001 £
Directors' emoluments consist of:		
Remuneration	71,024	204,277
Pension contributions	6,000	-
	<u>77,024</u>	<u>204,277</u>

5 Operating profit

	2002 £	2001 £
This has been arrived at after charging:		
Depreciation and amortisation	109,982	94,765
Auditors' remuneration	40,942	34,000
Operating leases – hire of equipment	2,242	27,850
– hire of motor vehicles	42,423	51,545
	<u>195,589</u>	<u>208,160</u>

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

6 Interest payable and similar charges

	2002 £	2001 £
Interest payable on bank loans and overdrafts	1,807,683	1,863,898

7 Taxation

	2002 £	2001 £
<i>Corporation tax</i>		
Provision for the year	665,340	383,348
<i>Current tax</i>		
UK corporation tax at 30%	243,797	238,151
Adjustment in respect of prior years	421,544	145,197
Total current tax	665,340	383,348
Taxation on ordinary activities	665,340	383,348

The tax assessed for the period is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	459,241	1,937,515
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20% to 30% (2001 – 20% to 30%)	137,871	565,076
Effects of:		
Expenses not deductible for tax purposes	12,715	128,470
Depreciation for period in excess of capital allowances	11,178	7,439
Adjustment to tax charge in respect of previous periods	421,544	145,197
Tax losses carried back against prior year	37,070	-
Non qualifying profit on disposal	44,962	(455,712)
Bad debt write off	-	(5,902)
Group relief	-	(185)
Losses brought forward	-	(1,035)
Current tax charge for year	665,340	383,348

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

7 Taxation (Continued)

Deferred taxation

The company's accounting policy in respect of deferred tax is set out in note 1 above. No provision has been made for deferred taxation as the directors do not expect timing differences to reverse in the foreseeable future.

8 Tangible assets

Group	Freehold property £	Leasehold improvements £	Fixtures, fittings and equipment £	Computer equipment £	Total £
<i>Cost or valuation</i>					
At 1 January 2002	29,598,722	17,468	564,209	370,043	30,550,442
Additions	20,000	-	4,221	25,724	49,945
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	29,618,722	17,468	568,430	395,767	30,600,387
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 January 2002	-	8,926	435,909	322,029	766,864
Charge for the year	-	4,691	56,648	48,643	109,982
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	13,617	492,557	370,672	876,846
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>					
At 31 December 2002	29,618,722	3,851	75,873	25,095	29,723,541
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	29,598,722	8,542	128,300	48,014	29,783,578
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The freehold land and buildings were revalued by the directors on 31 December 2001 at £29,598,722 giving rise to a total revaluation reserve of £3,315,114.

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

8 Tangible assets (*Continued*)

Company	Freehold property £	Computer equipment £	Fixtures fittings and equipment £	Total £
<i>Cost</i>				
At 1 January 2002	5,250,000	123,508	27,385	5,400,893
Additions	-	4,635	3,589	8,224
At 31 December 2002	5,250,000	128,143	30,974	5,409,117
<i>Depreciation</i>				
At 1 January 2002	-	103,656	9,950	113,606
Charge for the year	-	20,402	2,954	23,356
At 31 December 2002	-	124,058	12,904	136,962
<i>Net book value</i>				
At 31 December 2002	5,250,000	4,085	18,070	5,272,155
At 31 December 2001	5,250,000	19,852	17,435	5,287,287

The freehold property was revalued by the directors on 31 December 2001 at £5,250,000 giving rise to a total revaluation reserve of £2,869,672.

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

9 Investments

Group	Listed investments £			
<i>Cost</i>				
At 1 January 2002				970,261
Additions				-
Disposal				(970,261)
				<hr/>
At 31 December 2002				-
				<hr/>
				Unlisted investments £
<i>Cost</i>				
At 1 January 2002 and at 31 December 2002				29,987
				<hr/>
Total at 31 December 2002				29,987
				<hr/>
Total at 31 December 2001				1,000,249
				<hr/>
Company	Listed investments £	Group undertakings £	Unlisted investments £	Total £
<i>Cost or valuation</i>				
At 1 January 2002	970,261	2,120,750	29,987	3,120,998
Disposals	(970,261)	-	-	(970,261)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	2,120,750	29,987	2,150,737
	<hr/>	<hr/>	<hr/>	<hr/>

In various tranches, the company disposed of £970,261 of its shares in The Innovation Group Plc for total consideration of £769,522 in cash giving rise to a loss of £200,739.

Other income of £54,196 relating to amounts refunded from sale of Cosy shares results in a net loss on disposal of shares of £146,543.

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

10 Subsidiaries

Details of the company's subsidiary undertakings over which it has control, at 31 December 2002 are as follows:

Name	Nature of business	%Holding of ordinary shares
DCD Finance (UK) Limited	Holding company	100%
DCD Factors Plc	Invoice discounting and factoring	100%**
DCD Trade Services Limited	Confirming and financing international trade	100%**
Warrenby Limited	Confirming and financing international trade	100%**
Pelham Incorporated Limited	Property management	100%
DCD Properties Limited	Property investment	10%*

* managed on a unified basis with other property companies and consolidated

**held indirectly through DCD Finance (UK) Limited

The net assets at 31 December 2002 and profit before tax for the year ended 31 December 2002 of DCD Properties Limited are £5,352,961 and £353,589 respectively.

All subsidiaries were incorporated in England and Wales.

11 Debtors

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Discounted bills	11,526,951	8,675,542	-	-
Trade debtors	1,324,224	1,590,166	655,768	495,748
Amounts due from group undertakings	-	-	391,566	325,147
Amounts due from related undertakings	359,502	419,192	343,755	323,376
Other debtors	369,754	729,546	94,190	-
Prepayments and accrued income	422,426	208,593	162,930	71,942
	<u>14,002,856</u>	<u>11,623,039</u>	<u>1,648,209</u>	<u>1,216,213</u>

12 Current asset investments

Shareholding currently held by the company and group with a view to resale with an opening and closing cost and carrying value of £63,313, represented by the following:

Name	Nature of business	%Holding of ordinary shares
Unicorn Childcare Limited	Owned and franchised day nurseries	50%

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

13 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank overdrafts and loans (see note 15)	4,614,209	4,332,559	12,744	811,514
Discounted bills and advances	2,301,330	1,484,953	-	-
Funds and amounts due to clients	9,558,937	7,413,765	-	-
Trade creditors	644,901	372,088	-	87,365
Amounts due to group undertakings	-	-	-	25,423
Amounts due to related companies	196,354	708,080	80,764	270,191
Finance leases	-	114,504	-	-
Corporation tax	266,960	227,677	129,639	-
Other creditors including taxation and social security	661,696	315,174	134,960	27,180
Accruals and deferred income	97,021	151,178	-	90,936
Shareholders' loans	82,448	89,734	82,448	89,734
Other loan	-	750,000	-	750,000
	<u>18,423,856</u>	<u>15,959,712</u>	<u>440,555</u>	<u>2,152,343</u>

Funds held for clients of £5,195,369 (2001 - £3,915,269) are included in the cash at bank balance.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Loans	16,794,074	16,892,387	-	-
Shareholders loans	4,703,114	5,310,830	2,639,592	2,563,930
	<u>21,497,188</u>	<u>22,203,217</u>	<u>2,639,592</u>	<u>2,563,930</u>

The bank overdraft and loans are secured by a first charge on the freehold properties of the company and on the assets of group companies and bear interest at rates varying with LIBOR.

The loans are stated net of a financing charge of £500,410 (2001 - £545,901). The financing charge is being amortised over the period of the loan it relates to.

DCD LONDON & MUTUAL PLCNotes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

15 Maturity of debt	£
Loans due within one to two years	156,415
Loans due within two to five years	554,677
Loans due after five years	16,082,982
	<hr/>
	16,794,074
	<hr/>

The shareholders loans are unsecured, non-interest bearing, with no set repayment date.

16 Share capital

	Authorised			
	2002	2001	2002	2001
	Number	Number	£	£
5% Non cumulative redeemable preference shares of £1 each	3,000,000	3,000,000	3,000,000	3,000,000
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
	4,000,000	4,000,000	4,000,000	4,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
	Allotted, called up and fully paid			
	2002	2001	2002	2001
	Number	Number	£	£
5% Non cumulative redeemable preference shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
Ordinary shares of £1 each	166,660	166,660	166,660	166,660
	<hr/>	<hr/>	<hr/>	<hr/>
	2,166,660	2,166,660	2,166,660	2,166,660
	<hr/>	<hr/>	<hr/>	<hr/>

The preference shares are non voting shares redeemable at par with the redemption date to be decided by the directors before 31 December 2003. Other circumstances of redemption are on winding up of the company prior to the above dates and at the discretion of the directors as permitted by the Companies Act 1985.

DCD LONDON & MUTUAL PLCNotes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)**17 Revaluation reserve**

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
At 1 January 2002	3,315,114	3,760,556	2,869,672	2,869,672
Adjustment on change in minority interest	-	(445,442)	-	-
At 31 December 2002	<u>3,315,114</u>	<u>3,315,114</u>	<u>2,869,672</u>	<u>2,869,672</u>

18 Profit and loss account

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
At 1 January 2002	2,472,951	1,103,646	1,638,983	513,059
Retained profit for the year	(427,511)	1,419,584	(601,349)	1,125,924
Adjustment on change in minority interest	-	(50,279)	-	-
At 31 December 2002	<u>2,045,440</u>	<u>2,472,951</u>	<u>1,037,634</u>	<u>1,638,983</u>

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The loss dealt with in the accounts of the holding company was £601,349 (2001 – profit £1,125,924).

19 Movement in shareholders' funds

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Opening shareholders' funds	7,954,725	7,030,862	6,675,315	5,549,391
Profit for the year	(427,511)	1,419,584	(601,349)	1,125,924
Share capital issued	-	-	-	-
Adjustment on change in minority interest	-	-	-	-
- Revaluation reserve	-	(445,442)	-	-
- Profit and loss account	-	(50,279)	-	-
Closing shareholders' funds	<u>7,527,214</u>	<u>7,954,725</u>	<u>6,073,966</u>	<u>6,675,315</u>

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

20 Contingent liabilities

	2002 £	2001 £
Bills discounted and advances	2,301,330	1,484,953
Irrevocable letters of credit and foreign exchange contracts	2,391,152	2,933,025
Acceptances and bills for loading	2,066,071	362,683
Guarantees for group undertakings	56,632	750,000
	<u>6,815,185</u>	<u>5,530,661</u>

There are contingent liabilities in respect of wholly owned subsidiaries debts as follows:

- Under the cross-company guarantee given by the company to the bank on behalf of DCD Factors Plc.
- For facilities extended to Revelate Limited, DCD Factors Plc, N H Computer Training Plc, Warrenby Limited and Pelham Incorporated Limited by its bankers which are secured by a first charge on the company's freehold property at Churchill House, 142-146 Old Street, London, EC1V 9BW.

21 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2002 £	2001 £	2001 £
Operating profit for the year after other income		2,413,467		1,697,896
Depreciation and amortisation	109,982		(37,584)	
(Increase)/decrease in debtors	(2,379,817)		991,103	
Decrease in creditors	119,829		139,661	
	<u></u>	<u>(2,150,006)</u>	<u></u>	<u>1,093,180</u>
Net cash inflow from operating activities		<u>263,461</u>		<u>2,791,076</u>

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

22 Reconciliation of net cash inflow to movement in net debt

	2002 £	2001 £
(Decrease)/increase in cash in the year	(2,217,039)	2,207,175
Cash outflow from decrease in debt	820,533	317,096
	<hr/>	<hr/>
Change in net debt	(1,396,506)	2,524,271
Net debt at 1 January 2002	(25,910,230)	(28,434,501)
	<hr/>	<hr/>
Net debt at 31 December 2002	(27,306,736)	(25,910,230)
	<hr/>	<hr/>

23 Analysis of net debt

	At 1 January 2002 £	Cash flow £	At 31 December 2002 £
Cash in hand and at bank	8,243,549	202,497	8,446,046
Bank overdraft and clients' funds	(11,836,058)	(2,419,536)	(14,255,594)
		<hr/>	
		(2,217,039)	
Debt due after one year	(22,203,217)	706,029	(21,497,188)
Finance leases due within one year	(114,504)	114,504	-
	<hr/>	<hr/>	<hr/>
Total	(25,910,230)	(1,396,506)	(27,306,736)
	<hr/>	<hr/>	<hr/>

DCD LONDON & MUTUAL PLC

Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)*

24 Ultimate parent company and controlling party

At 31 December 2002 the company's ultimate parent company and controlling party was DCD Holdings Limited, a company that is incorporated in Jersey, which is the parent of both the smallest and largest groups of which the company is a member.

25 Related party transactions

During the year the company paid consultancy fees of £41,173 to J A Manjoo, a director of the company.