ANDERSEN

Blemain Group plc

and subsidiary undertakings

Annual report and accounts

for the year ended 30 June 2001

Registered number: 2939389

DIRECTORS

H.N. Moser	Chairman and Chief Executive
B.S. Pollock	
D.L. Moser	
J.M. Shaoul	Non-Executive Director
J.E. Smith	(resigned 29 January 2001)
G.D. Beckett	
C.W. Hacking	(resigned 7 November 2001)
M.R. Goldberg	(appointed 2 March 2001)
D.J. Seabridge	(appointed 3 September 2001)

SECRETARY

G.D. Beckett

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

AUDITORS

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

PRINCIPAL BANKERS

Bank of Scotland
19/21 Spring Gardens
Manchester
M2 1FB

Directors' report

For the year ended 30 June 2001

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 30 June 2001.

Principal activities

The principal activities of the group continue to be property development, investment and finance.

Business review and future developments

The directors consider the results for the year to be satisfactory and look forward to the future with confidence.

Results and dividends

The results for the year are set out in detail on page 6. The directors do not recommend the payment of a dividend, leaving £4,018,000 (2000 - £3,403,000) to be transferred to reserves.

Directors and their interests

The directors of the company who served during the year are set out on page 1.

Those directors serving at the end of the year had interests in the share capital of the company at 30 June as follows:

	Ordinary shares of £1 each	
	2001 Number	2000 Number
H.N. Moser	1,448,875	1,448,875
B.S. Pollock	1,300,049	1,300,049
D.L. Moser	7,251,076*	7,251,076*

*Held in trust by D.L. Moser and H.N. Moser as trustees of a family settlement.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Payments to suppliers

The group agrees terms and conditions for its transactions with its suppliers. Payments are then made, subject to the terms and conditions being set by the suppliers.

As the company is a holding company it has no trade creditors and accordingly no disclosure can be made of the year end creditor days.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

On behalf of the Board,

G.D. Beckett
Secretary

30 January 2002

ANDERSEN

Independent Auditors' Report to the Shareholders of Blemain Group plc:
We have audited the financial statements of Blemain Group plc for the year ended 30 June 2001 which comprise the Profit and loss account, Balance sheets, Cash flow statement, Statement of total recognised gains and losses and the related Notes numbered 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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 and other members of the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 of the group at 30 June 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

30 January 2002

Consolidated profit and loss account

For the year ended 30 June 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	18,505	13,678
Cost of sales		(106)	(443)
Gross profit		18,399	13,235
Administrative expenses		(7,599)	(5,756)
Operating profit		10,800	7,479
Gain arising on disposal of investment properties		92	585
Interest receivable and similar income	3	24	32
Interest payable and similar charges	4	(4,804)	(3,376)
Profit on ordinary activities before taxation	5	6,112	4,720
Tax on profit on ordinary activities	7	(1,998)	(1,317)
Profit on ordinary activities after taxation		4,114	3,403
Minority interests	20	(96)	-
Profit for the financial year	18	4,018	3,403

All activity has arisen from continuing operations.

No consolidated note of historical cost profits and losses has been prepared as there is no material difference between the retained profit in either year if an historical cost basis had been adopted.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated statement of total recognised gains and losses

For the year ended 30 June 2001

	2001 £'000	2000 £'000
Profit for the financial year	4,018	3,403
Unrealised loss on revaluation of land and buildings	(120)	-
Total recognised gains and losses relating to the year	3,898	3,403

Consolidated balance sheet

30 June 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investment properties	8	8,908	9,109
Other tangible fixed assets	9	1,194	1,346
Investments	10	30	26
		10,132	10,481
Current assets			
Stocks	11	1,074	882
Debtors – amounts falling due within one year	12	38,841	29,058
Debtors – amounts falling due after one year	12	53,338	41,685
Investments	13	81	282
Cash at bank and in hand		38	45
		93,372	71,952
Creditors: Amounts falling due within one year	14	(5,125)	(6,484)
Net current assets		88,247	65,468
Total assets less current liabilities		98,379	75,949
Creditors: Amounts falling due after more than one year	15	(68,581)	(50,145)
Provisions for liabilities and charges	16	(14)	(14)
Net assets		29,784	25,790
Equity capital and reserves			
Called-up share capital	17	10,000	10,000
Merger reserve	18	(9,645)	(9,645)
Capital reserve	18	48	48
Revaluation reserve	18	631	762
Profit and loss account	18	28,654	24,625
Equity shareholders' funds	19	29,688	25,790
Minority interests	20	96	-
Total capital employed		29,784	25,790

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

30 June 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Investments	10	10,001	10,001
Current assets			
Debtors – amounts falling due within one year	12	69,746	51,013
Cash at bank and in hand		13	7
		69,759	51,020
Creditors: Amounts falling due within one year	14	(1,260)	(1,021)
Net current assets		68,499	49,999
Total assets less current liabilities		78,500	60,000
Creditors: Amounts falling due after more than one year	15	(68,500)	(50,000)
Net assets		10,000	10,000
Capital and reserves			
Called-up share capital	17	10,000	10,000
Equity shareholders' funds		10,000	10,000

Signed on behalf of the Board

H.N. Moser
Director

30 January 2002

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement
For the year ended 30 June 2001

	Notes	2001 £'000	2000 £'000
Net cash outflow from operating activities	21a	(10,854)	(10,230)
Returns on investments and servicing of finance	21d	(4,717)	(3,188)
Taxation		(2,938)	(1,231)
Capital expenditure and financial investment	21d	370	363
Net cash outflow before financing		(18,139)	(14,286)
Financing	21d	18,462	13,869
Increase (decrease) in cash in year	21b	323	(417)

The accompanying notes are an integral part of this cash flow statement.

Notes to accounts
30 June 2001

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties and listed investments, and in accordance with applicable accounting standards including SSAP 19 which, unlike the detailed rules of the Companies Act, does not require depreciation of freehold and long leasehold investment properties. In addition, grants received in respect of investment properties under construction have been deducted from the cost of such assets, which is also not in accordance with the detailed rules of the Companies Act 1985. The lack of depreciation and treatment of grants are necessary to give a true and fair view for the reasons explained below in the investment properties accounting policy note.

b) Basis of consolidation

The group accounts consolidate the accounts of Blemain Group plc and all its subsidiary undertakings made up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. The acquisition method of accounting has been adopted for the consolidation of the following subsidiaries:

Spot Finance Limited
Manor Golf Club Limited
Phone-a-loan Limited
Classic Car Finance Limited
Morgancrest Properties Limited
Cresthaven Properties Limited
Sterling Property Co. Limited
General Allied Properties Limited
Privileged Properties (Northern) Limited
Northwestern Properties & Developments Limited
Privileged Estates Limited
Provincial & Northern Properties Limited
Heywood Finance Limited
Heywood Leasing Limited
Bridgingfinance.co.uk. Limited

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

1 Accounting policies (continued)

b) Basis of consolidation (continued)

Merger accounting has been used for the consolidation of the following subsidiaries:

Blemain Finance Limited
Briar Hill Court Limited
Cheshire Mortgage Corporation Limited
Factfocus Limited
Harpmanor Limited
Jerrold Mortgage Corporation Limited
Lancashire Mortgage Corporation Limited
Monarch Recoveries Limited
Supashow Limited

Under this method any difference arising on consolidation is treated as a reduction in reserves.

In the company's accounts, investments in subsidiary undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account.

No profit and loss account is presented for Blemain Group plc as permitted by section 230 of the Companies Act 1985. The company's profit for the financial year, determined in accordance with the Act, was £Nil (2000 - £Nil).

c) Investment properties

A valuation of investment properties is made annually as at the balance sheet date by the directors, at open market value based on a sample of valuations conducted by external chartered surveyors. Changes in the market value of investment properties are accounted for by way of a movement in revaluation reserve and are included in the statement of total recognised gains and losses unless a deficit (or its reversal) on an individual investment property is expected by the directors to be permanent, in which case the change in market value is charged (credited) to the profit and loss account. On disposal, the cumulative revaluation surpluses or deficits are transferred from the revaluation reserve to the profit and loss account reserve.

Additions to investment properties under development comprise construction costs excluding attributable interest incurred in bringing a project to its present state of completion.

In accordance with SSAP 19 no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified, because of the lack of analysis of the cost/value as between land and buildings.

1 Accounting policies (continued)

c) Investment properties (continued)

Grants received in respect of investment properties under construction have been deducted from the cost of such assets. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires assets to be shown at their purchase price or production cost and hence grants would be shown as deferred income. This departure from the requirements of the Act is, in the opinion of the directors, necessary to give a true and fair view as no provision is made for depreciation and any grants would not be taken to the profit and loss account. The effect of this departure is that the net book value of investment properties is £3,368,178 (2000 - £3,368,178) lower than it would otherwise have been.

d) Other tangible fixed assets

Tangible fixed assets are shown at cost or valuation net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	2% straight-line on valuation/cost
Fixtures and fittings	15% straight-line on cost
Motor vehicles	25% reducing balance on cost
Office equipment	20% straight-line on cost
Computer equipment	33% straight-line on cost

e) Revaluation of properties

The group has previously taken advantage of the transitional provisions of FRS15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to the implementation of that standard. The properties were last revalued in 1993. In the current year the directors have taken the view that the properties are no longer correctly stated at this valuation, and have therefore devalued them to the previous valuation.

f) Investments

Fixed asset investments are stated at cost less provision for impairment with the exception of listed investments which are stated at market value. Current asset investments are stated at the lower of cost and net realisable value, except when listed whereby they are stated at market value.

g) Stocks

Properties and goods held for resale are valued at the lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

h) Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership are included in the balance sheet and depreciated in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of the rental obligations is charged to the profit and loss account, over the period of the agreement in proportion to the balance of capital repayments outstanding.

Rentals in respect of all other leases are charged to the profit and loss account as incurred.

1 Accounting policies (continued)

i) Pension benefits

The group operates two defined contribution pension schemes.

The pension cost represents contributions payable in the year.

j) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in note 16.

k) Turnover

Turnover consists of proceeds of properties disposed of which were previously held for resale, interest recoverable on loans and related commissions on money lending agreements, property disposal proceeds, rental income and the invoiced value (excluding VAT) for goods and services supplied to third parties.

The interest credit to the profit and loss account is calculated on an accruals basis.

2 Segmental analysis

Segmental analysis of the group's turnover, results and net assets has not been disclosed as in the opinion of the directors this would be seriously prejudicial to the interests of the group.

3 Interest receivable and similar income

	2001 £'000	2000 £'000
Bank interest	9	7
Income from other fixed asset investments	7	15
Other interest	8	10
	24	32

4 Interest payable and similar charges

	2001 £'000	2000 £'000
Bank loans and overdrafts	4,744	3,338
Hire purchase	11	4
Other interest	49	34
	4,804	3,376

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	2001 £'000	2000 £'000
Auditors' remuneration		
- for audit services	28	24
- for non-audit services	28	24
Depreciation of tangible fixed assets		
- owned	182	135
- held under hire purchase contracts	35	18
Profit on sale of fixed assets	(1)	(46)
Operating lease rentals		
- land and buildings	86	75
Staff costs (see note 6)	2,896	2,699

6 Staff costs

The average monthly number of employees, including executive directors was:

	2001 Number	2000 Number
Management and administration		
- full time	104	88
- part time	21	11
	125	99

	2001 £'000	2000 £'000
Their aggregate remuneration comprised:		
Wages and salaries	2,305	2,235
Social security costs	214	236
Other pension costs	377	228
	2,896	2,699

Directors' remuneration:

	2001 £'000	2000 £'000
Emoluments	812	875
Company contributions to defined contribution pension schemes	355	204
	1,167	1,079

The emoluments of the highest paid director were £772,851 (2000 - £849,000) including £350,000 (2000 - £200,000) of company contributions to a defined contribution pension scheme. In both years three of the directors were members of defined contribution pension schemes operated by group companies.

7 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
Corporation tax	1,858	1,448
Adjustment in respect of prior years' current taxation	140	(131)
	1,998	1,317

8 Investment properties

Group	Freehold investment properties £'000
Beginning of year	9,109
Additions at cost	1,166
Disposals	(1,367)
End of year	8,908

Those investment properties where construction and development work has been completed were revalued at 30 June 2001 by the directors.

If investment properties had not been revalued, they would have been included in the balance sheet at £8,277,000 (2000 - £8,467,000).

Grants of £3,368,178 (2000 – £3,368,178) have been credited against the freehold investment properties on a cumulative basis.

9 Other tangible fixed assets

Group	Freehold land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
Beginning of year	871	559	640	2,070
Additions	-	120	105	225
Revaluations	(130)	-	-	(130)
Disposals	-	-	(105)	(105)
End of year	741	679	640	2,060
Depreciation				
Beginning of year	61	362	301	724
Charge	21	103	93	217
Revaluations	(10)	-	-	(10)
Disposals	-	-	(65)	(65)
End of year	72	465	329	866
Net book value				
Beginning of year	810	197	339	1,346
End of year	669	214	311	1,194

The net book value of tangible fixed assets includes £155,646 (2000 - £144,000) in respect of assets held under hire purchase contracts.

Freehold land and buildings are held by a subsidiary undertaking. In 1993 such assets held were valued on the basis of open market value by members of the Royal Institute of Chartered Surveyors. The directors consider that there has since been an impairment to the 1993 valuation of £130,000, reducing the valuation from £692,000 to the previous valuation of £562,000. The remaining cost of £179,000 represents post 1993 additions at cost.

If the freehold land and buildings had not been revalued they would have been included in the balance sheet at the following amounts:

	2001 £'000	2000 £'000
Cost	443	443
Depreciation	(26)	(23)
	417	420

10 Fixed asset investments

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Subsidiary undertakings	-	-	10,001	10,001
Other investments	30	26	-	-
	30	26	10,001	10,001

a) Subsidiary undertakings

Principal trading subsidiaries	Shares and voting rights	Principal activities
Blemain Finance Limited	100%	Financier
Lancashire Mortgage Corporation Limited	100%	Financier
Factfocus Limited	100%	Financier and property transactions
Harpmanor Limited	100%	Financier
Supashow Limited	100%	House builder
Briar Hill Court Limited	100%	Rental of residential flats
Jerrold Mortgage Corporation Limited	100%	Financier
Spot Finance Limited	100%	Financier
Cheshire Mortgage Corporation Limited	100%	Financier
Monarch Recoveries Limited	100%	Debt recovery
Manor Golf Club Limited	75%	Golf club operator
General Allied Properties Limited	100%	Property investment
Privileged Properties (Northern) Limited	100%	Property investment
Provincial & Northern Properties Limited	100%	Property investment
Northwestern Properties & Developments Limited	100%	Property investment
Heywood Finance Limited	90%	Hire purchase finance
Privileged Estates Limited	100%	Property investment
Heywood Leasing Limited	90%	Leasing finance
Sterling Property Co. Limited	100%	Property management

All the above subsidiaries are incorporated in Great Britain and are registered and operate in England and Wales.

The above are direct holdings with the exception of Spot Finance Limited and Manor Golf Club Limited which are held by Blemain Finance Limited and Jerrold Mortgage Corporation Limited respectively.

10 Fixed asset investments (continued)

a) Subsidiary undertakings (continued)

In addition to the above, the group also holds 100% of the ordinary shares and voting rights in Bridgingfinance.co.uk. Limited, Phone-a-Loan Limited, Morgancrest Properties Limited, Classic Car Finance Limited and Cresthaven Properties Limited, which are all dormant companies.

b) Other investments

Other investments are listed investments stated at market value.

11 Stocks

	Group	
	2001 £'000	2000 £'000
Properties - work in progress	718	426
Properties held for resale	348	447
Goods for resale	8	9
	1,074	882

12 Debtors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year:				
Trade debtors	38,137	28,472	-	-
Amounts owed by group undertakings	-	-	69,736	51,003
Amounts owed by related companies	335	136	-	-
ACT recoverable	33	29	-	-
Other debtors	271	281	10	10
Prepayments and accrued income	65	140	-	-
	38,841	29,058	69,746	51,013
Amounts falling due after more than one year:				
Trade debtors	53,338	41,685	-	-
	92,179	70,743	69,746	51,013

Trade debtors include amounts due in respect of loans provided during the normal course of business. Amounts owed by related companies are in respect of August Blake Developments Limited, UK Mortgage Corporation Limited, Sedgewick House Properties Limited and Centrestand Limited, companies in which H.N. Moser is a director and shareholder (see note 24).

Notes to accounts (continued)

13 Current asset investments

	Group	
	2001	2000
	£'000	£'000
Listed investments at market value	40	246
Other investments at cost	41	36
	81	282

14 Creditors: Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank overdrafts	752	1,082	-	109
Obligation under hire purchase contracts	64	47	-	-
Debt due within one year	816	1,129	-	109
Trade creditors	452	234	-	-
Amount owed to group undertakings	-	-	685	400
Amounts owed to related companies	13	48	-	-
Corporation tax	1,352	2,219	-	-
Other taxation and social security	208	149	-	-
Other creditors	379	901	1	1
Accruals and deferred income	1,905	1,804	574	511
	5,125	6,484	1,260	1,021

Amounts due to related companies are in respect of UK Mortgage Corporation Limited, Regency Securities and Investments Limited and Sedgewick House Properties Limited, companies in which H.N. Moser is a director and shareholder (see note 24).

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans	68,500	50,000	68,500	50,000
Obligation under hire purchase agreements due within one to two years	81	72	-	-
Corporation tax	-	73	-	-
	68,581	50,145	68,500	50,000

15 Creditors: Amounts falling due after more than one year (continued)

The bank loans are repayable as follows:

	2001 £'000	2000 £'000
Between two and five years	68,500	50,000

The bank loans are secured through a fixed and floating charge on the assets of the group.

16 Provision for liabilities and charges

Group deferred taxation comprises:

	Amounts provided 2001 £'000	2000 £'000
Accelerated capital allowances	14	14

Unprovided deferred tax of £190,000 (2000 - £240,000) arises in respect of tax which would be payable if fixed assets were disposed at the current net book value. No provision has been made for this amount since the directors do not intend to dispose of these assets.

17 Called-up share capital

	2001 £'000	2000 £'000
Authorised, allotted, called-up and fully paid		
10,000,002 ordinary shares of £1 each	10,000	10,000

18 Reserves

	Merger reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
Group				
At 30 June 2000	(9,645)	48	762	24,625
Retained profit for the financial year	-	-	-	4,018
Revaluation of land and buildings	-	-	(120)	-
Transfer	-	-	(11)	11
At 30 June 2001	(9,645)	48	631	28,654

19 Reconciliation of movements in group equity shareholders' funds

	2001 £'000	2000 £'000
Retained profit for the financial year	4,018	3,403
Other recognised gains and losses relating to the year (net)	(120)	-
	3,898	3,403
Opening shareholders' funds	25,790	22,387
Closing shareholders' funds	29,688	25,790

20 Minority interests

	£'000
At 1 July 2000	-
Profit on ordinary activities after taxation	96
At 30 June 2001	96

21 Cash flow information

a) Reconciliation of operating profit to net cash outflow from operating activities

	2001 £'000	2000 £'000
Operating profit	10,800	7,479
Depreciation of tangible fixed assets	217	153
Profit on disposal of tangible fixed assets	(1)	(46)
Profit on disposal of current asset investments	-	(21)
(Increase) decrease in stocks	(192)	288
Increase in debtors	(21,436)	(18,620)
(Decrease) increase in creditors	(242)	537
Net cash outflow from operating activities	(10,854)	(10,230)

b) Analysis of net debt

	Beginning of year £'000	Cash flow £'000	Other non-cash changes £'000	End of year £'000
Cash at bank and in hand	45	(7)	-	38
Overdrafts	(1,082)	330	-	(752)
	(1,037)	323	-	(714)
Finance leases	(119)	38	(64)	(145)
Loans due after one year	(50,000)	(18,500)	-	(68,500)
Current asset investments	282	(197)	(4)	81
	(49,837)	(18,659)	(68)	(68,564)
Net debt	(50,874)	(18,336)	(68)	(69,278)

21 Cash flow information (continued)

c) Reconciliation of net cash flow to movement in net debt

	2001 £'000	2000 £'000
(Increase) decrease in cash in year	(323)	417
Cash inflow from increase in debt and lease financing	18,462	13,869
Cash inflow from reduction in current asset investments	197	(228)
Change in net debt resulting from cash flows	18,336	14,058
New finance leases	64	112
Other non-cash movements	4	(21)
Movement in net debt in year	18,404	14,149
Net debt, beginning of year	50,874	36,725
Net debt, end of year	69,278	50,874

d) Analysis of cash flows

	2001 £'000	2000 £'000
Returns on investments and servicing of finance		
Investment income	7	15
Interest received	17	17
Interest element of finance lease payments	(11)	(4)
Interest paid	(4,730)	(3,216)
Net cash outflow from returns on investments and servicing of finance	(4,717)	(3,188)

21 Cash flow information (continued)

d) Analysis of cash flows (continued)

	2001 £'000	2000 £'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(161)	(386)
Purchase of investment properties	(1,166)	(657)
Sale of fixed asset investments	-	76
Sales of tangible fixed assets	41	80
Sales of investment properties	1,459	1,478
Purchase of current asset investments	-	(3,400)
Sale of current asset investments	197	3,172
Net cash inflow from capital expenditure and financial investments	370	363

	2001 £'000	2000 £'000
Financing		
Proceeds from new borrowings	18,500	14,000
Repayment of loans	-	(100)
Capital element of finance lease rental payments	(38)	(31)
Net cash inflow from financing	18,462	13,869

22 Guarantees and financial commitments

Capital commitments

There are no group capital expenditure commitments at 30 June 2001 (2000 - £Nil).

Operating lease commitments

The payment which the group is committed to make in the next year under an operating lease is as follows:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Land and buildings, lease expiring				
- after five years	86	75	-	-

23 Pension arrangements

The group operates two defined contribution schemes for which the pension cost charge for the year amounted to £350,000 (2000 - £200,000).

24 Related party transactions

The group had the following balances with related parties at the year end.

	Balance due to		Balance due from	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
August Blake Developments Limited	-	-	228	-
Centrestand Limited	-	-	13	13
Sedgewick House Properties Limited	3	23	-	31
UK Mortgage Corporation Limited	3	18	94	92
Regency Securities and Investments Limited	7	7	-	-
	13	48	335	136

Amounts due to and from related companies are in respect of August Blake Developments Limited, Centrestand Limited, Sedgewick House Properties Limited, UK Mortgage Corporation Limited and Regency Securities and Investments Limited, companies which H.N. Moser is a director and shareholder.

The following transactions took place in the year ended 30 June 2001:

i) The group advanced £228,000 to August Blake Developments Limited. This was secured on a second charge over assets held in August Blake Developments Limited.

ii) The group received £11,000 from Sedgewick House Properties Limited during the year. The remaining debtors and creditors were netted off within the group leaving a balance due from Sedgewick House Properties of £3,000.

iii) The group advanced a further £17,000 to UK Mortgage Corporation Limited during the year. This had the effect of reducing creditors by £15,000 and increasing debtors by £2,000.

The following transactions took place in the year ended 30 June 2000:

i) The group received £158,735 from Sedgewick House Properties Limited in respect of a loan, on which interest of £77,371 was charged.

ii) The group recharged net expenses of £7,097 to Centrestand Limited for costs that related to that company but were suffered by the Blemain Group.

iii) The group received £17,641 of income that related to UK Mortgage Corporation Limited.

25 Controlling party

Mr. H.N. Moser, a director of Blemain Group plc, and members of his close family, control the company as a result of controlling directly or indirectly 87% of the issued share capital of Blemain Group plc.