Blemain Group plc

and subsidiary undertakings

Annual report and financial statements
for the year ended 30 June 2002

Registered number: 2939389

JMA *JCGOUHAK*
COMPANIES HOUSE 0086
03/01/03

DIRECTORS

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

SECRETARY

G.D. Beckett

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

AUDITORS

Deloitte & Touche
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 2002

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 30 June 2002.

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 £6,492,000 (2001 restated - £4,084,000) 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	
	2002 Number	2001 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

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that year. 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,
- 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 group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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

Arthur Andersen resigned as auditors on 31 July 2002. The directors appointed Deloitte & Touche to fill the casual vacancy and will place a resolution before the annual general meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

On behalf of the Board,

G.D. Beckett
Secretary

25 September 2002

Deloitte & Touche

Independent auditors' report

To the Members of Blemain Group plc:

We have audited the financial statements of Blemain Group plc for the year ended 30 June 2002 which comprise the profit and loss account, statement of total recognised gains and losses, balance sheets, cash flow statement, statement of accounting policies and the related notes numbered 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the directors report, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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.

Independent auditors' report (continued)

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 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Manchester
26 September 2002

Consolidated profit and loss account

For the year ended 30 June 2002

	Notes	2002 £'000	2001 Restated £'000
Turnover	1	24,981	18,505
Cost of sales		(370)	(106)
Gross profit		24,611	18,399
Administrative expenses		(9,934)	(7,599)
Operating profit		14,677	10,800
Profit on sale of investment properties		205	92
Profit on ordinary activities before finance charges		14,882	10,892
Finance charges (net)	2	(5,609)	(4,780)
Profit on ordinary activities before taxation	3	9,273	6,112
Tax on profit on ordinary activities	5	(2,837)	(1,932)
Profit on ordinary activities after taxation		6,436	4,180
Minority interests	19	56	(96)
Profit for the financial year	17	6,492	4,084

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 2002

	Notes	2002 £'000	2001 Restated £'000
Profit for the financial year as originally stated		6,492	4,084
Unrealised loss on revaluation of land and buildings		-	(120)
Total recognised gains and losses relating to the year		6,492	3,964
Prior year adjustment	6	340	
Total gains and losses recognised since last annual report and financial statements		6,832	

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Consolidated balance sheet

30 June 2002

	Notes	2002 £'000	2001 Restated £'000
Fixed assets			
Investment properties	7	13,382	8,908
Other tangible fixed assets	8	1,214	1,194
Investments	9	30	30
		14,626	10,132
Current assets			
Stocks	10	1,613	1,074
Debtors			
- due within one year	11	57,026	38,841
- due after one year	11	67,201	53,664
Investments	12	106	81
Cash at bank and in hand		52	38
		125,998	93,698
Creditors: Amounts falling due within one year	13	(7,011)	(5,125)
Net current assets		118,987	88,573
Total assets less current liabilities		133,613	98,705
Creditors: Amounts falling due after more than one year	14	(97,053)	(68,581)
Net assets		36,560	30,124
Equity capital and reserves			
Called-up share capital	16	10,000	10,000
Merger reserve	17	(9,645)	(9,645)
Capital reserve	17	48	48
Revaluation reserve	17	622	631
Profit and loss account	17	35,495	28,994
Equity shareholders' funds	18	36,520	30,028
Minority interests	19	40	96
Total capital employed		36,560	30,124

G.D. Beckett
Director

M.R. Goldberg
Director

25 September 2002

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

Company balance sheet
30 June 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Investments	9	10,001	10,001
Current assets			
Debtors	11	98,304	69,746
Cash at bank and in hand		13	13
		98,317	69,759
Creditors: Amounts falling due within one year	13	(1,318)	(1,260)
Net current assets		96,999	68,499
Total assets less current liabilities		107,000	78,500
Creditors: Amounts falling due after more than one year	14	(97,000)	(68,500)
Net assets		10,000	10,000
Capital and reserves			
Called-up share capital	16	10,000	10,000
Equity shareholders' funds		10,000	10,000

The financial statements were approved by the board of directors and signed on its behalf by:

G.D. Beckett
Director

M.R. Goldberg
Director

25 September 2002

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

Consolidated cash flow statement
For the year ended 30 June 2002

	Notes	2002 £'000	2001 £'000
Net cash outflow from operating activities	20a	(16,445)	(10,854)
Returns on investments and servicing of finance	20d	(5,606)	(4,717)
Taxation		(2,401)	(2,938)
Capital expenditure and financial investment	20d	(4,526)	370
Net cash outflow before financing		(28,978)	(18,139)
Financing	20d	28,490	18,462
(Decrease) increase in cash in year	20b	(488)	323

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

Statement of accounting policies
30 June 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, except the policy on deferred tax which has been changed, as explained in note 6, to comply with Financial Reporting Standard 19 and the policy regarding the classification of government grants received in relation to investment properties as discussed below.

Basis of accounting

The financial statements 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.

Basis of consolidation

The group financial statements consolidate the financial statements of Blemain Group plc and all its subsidiary undertakings drawn 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:

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

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 financial statements, 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 (2001 - £Nil).

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 previous 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.

Investment properties (continued)

Previously, grants received in respect of investment properties had been deducted from the cost of such assets. In the current year the company has changed its policy on such grants so that grants are now included in the cost of investment properties and also in creditors due after more than one year as deferred income. The directors feel that this more appropriately reflects the requirements of SSAP 4. There is no effect on any of the numbers in the financial statements in either the current or prior year as a result of this change.

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

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

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 prior year the directors took the view that the properties were no longer correctly stated at this valuation, and therefore devalued them to the previous valuation.

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.

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. Provision is made for obsolete, slow-moving or defective items where appropriate.

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.

Pension benefits

The group operates two defined contribution pension schemes. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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, 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.

Notes to the financial statements

30 June 2002

1 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.

2 Finance charges (net)

Investment income

	2002 £'000	2001 £'000
Income from fixed asset investments	4	7
Interest receivable and similar income	18	17
	22	24

Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	5,619	4,744
Hire purchase	11	11
Other interest	1	49
	5,631	4,804

Finance charges (net)

	2002 £'000	2001 £'000
Interest payable and similar charges	5,631	4,804
Less: Investment income	(22)	(24)
	5,609	4,780

3 Profit on ordinary activities before taxation

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

	2002 £'000	2001 £'000
Depreciation of tangible fixed assets		
- owned	160	182
- held under hire purchase contracts	53	35
Profit on sale of fixed assets	(1)	(1)
Operating lease rentals		
- land and buildings	87	86
Staff costs (see note 4)	3,444	2,896
Auditors' remuneration		
- for audit services	29	28
- for non-audit services	37	28

Notes to the financial statements (continued)

4 Staff costs

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

	2002 Number	2001 Number
Management and administration		
- full time	117	104
- part time	22	21
	139	125

	2002 £'000	2001 £'000
Their aggregate remuneration comprised:		
Wages and salaries	3,004	2,305
Social security costs	319	214
Pension costs	121	377
	3,444	2,896

Directors' remuneration:

	2002 £'000	2001 £'000
Emoluments	1,223	812
Company contributions to defined contribution pension schemes	102	355
	1,325	1,167

The emoluments of the highest paid director were £824,619 (2001 - £772,851) including £100,000 (2001 - £350,000) 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.

5 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
Current tax		
Corporation tax	2,987	1,858
Adjustment in respect of previous years' corporation tax	(16)	140
Total current tax	2,971	1,998
Deferred tax		
Origination and reversal of timing differences	(134)	(66)
Total deferred tax (see note 15)	(134)	(66)
Total tax on profit on ordinary activities	2,837	1,932

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	9,273	6,112
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	2,782	1,834
Effects of:		
Expenses not deductible for tax purposes	(5)	(83)
Capital allowances in excess of depreciation	10	10
Utilisation of tax losses	(6)	(9)
Other timing differences	206	106
Adjustments to tax charge in respect of previous periods	(16)	140
Group current tax charge for period	2,971	1,998

6 Prior year adjustment

Financial Reporting Standard 19 "Deferred Tax" has been adopted for the first time in these results. The adoption of FRS 19 has resulted in a change in accounting policy and a restatement of the prior year's results. FRS 19 deals with the treatment of deferred taxation and, as required by the Standard, full provision has been made for all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the future.

The effect of this restatement is summarised below:

	2002 £'000	2001 £'000
Profit and loss account		
Tax credit on profit on ordinary activities	134	66
Increase in profit for the financial year	134	66
Balance sheet		
Deferred tax asset	460	340
Increase in net assets	460	340

The change in accounting policy had no effect on the financial statements of the company and therefore the balance sheet for the company for the prior year has not been restated.

7 Investment properties

Group	Freehold investment properties £'000
Beginning of year	8,908
Additions	5,663
Disposals	(1,189)
End of year	13,382

If investment properties had not been revalued, they would have been included in the balance sheet at £12,760,000 (2001 - £8,277,000).

Grants of £3,368,178 (2001 – £3,368,178) have been credited against the freehold investment properties on a cumulative basis.

Notes to the financial statements (continued)

8 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	741	679	640	2,060
Additions	2	61	209	272
Disposals	-	-	(164)	(164)
End of year	743	740	685	2,168
Depreciation				
Beginning of year	72	465	329	866
Charge	18	97	98	213
Disposals	-	-	(125)	(125)
End of year	90	562	302	954
Net book value				
Beginning of year	669	214	311	1,194
End of year	653	178	383	1,214

The net book value of tangible fixed assets includes £179,000 (2001 - £155,646) in respect of assets held under hire purchase contracts.

Freehold land and buildings are held by a subsidiary undertaking. Such assets were valued on the basis of a 1993 valuation at open market value which the directors have subsequently reduced by £130,000 to £562,000. The remaining £179,000 represents subsequent additions at cost.

The value of the land which is not depreciated amounts to £345,934 (2001 - £345,934).

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

	2002 £'000	2001 £'000
Cost	605	603
Depreciation	(76)	(59)
Net book value	529	544

9 Fixed asset investments

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Subsidiary undertakings	-	-	10,001	10,001
Other investments	30	30	-	-
	30	30	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.

9 Fixed asset investments (continued)

b) Other investments

Other investments are listed investments stated at market value.

10 Stocks

	Group	
	2002	2001
	£'000	£'000
Properties		
- work in progress	1,091	718
- held for resale	520	348
Goods for resale	2	8
	1,613	1,074

There is no material difference between the balance sheet value of stocks and their replacement cost.

11 Debtors

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	55,582	38,137	-	-
Amounts owed by group undertakings	-	-	98,294	69,736
Amounts owed by related companies	186	335	-	-
ACT recoverable	38	33	-	-
Other debtors	1,070	271	10	10
Prepayments and accrued income	150	65	-	-
	57,026	38,841	98,304	69,746
Amounts falling due after more than one year:				
Trade debtors	66,741	53,338	-	-
Deferred taxation (see note 15)	460	326	-	-
	67,201	53,664	-	-
	124,227	92,505	98,304	69,746

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 and Centrestand Limited, companies in which H.N. Moser is a director and shareholder (see note 23). Also included in trade debtors is an amount of £2,330,147 loaned to August Blake Developments Limited on a commercial basis secured on certain assets of that company and an amount of £350,000 loan to the Blemain Finance Pension Fund on a commercial basis secured on certain assets of that company.

Notes to the financial statements (continued)

12 Current asset investments

	Group	
	2002 £'000	2001 £'000
Listed investments at market value	20	40
Other investments at cost	86	41
	106	81

13 Creditors: Amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Obligations under hire purchase contracts	82	64	-	-
Bank overdrafts	1,254	752	-	-
Trade creditors	317	452	-	-
Amounts owed to group undertakings	-	-	734	685
Amounts owed to related companies	31	13	-	-
Corporation tax	1,929	1,352	-	-
Other taxation and social security	335	208	-	-
Other creditors	787	379	1	1
Accruals and deferred income	2,276	1,905	583	574
	7,011	5,125	1,318	1,260

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 23).

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Obligation under hire purchase contracts	53	81	-	-
Bank loans	97,000	68,500	97,000	68,500
	97,053	68,581	97,000	68,500

The bank loans are repayable as follows:

	2002 £'000	2001 £'000
In more than two years but not more than five years	97,000	68,500

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

15 Deferred taxation

Group

	Restated £'000
Beginning of year	326
Credited to profit and loss account	134
End of year	460

Deferred tax asset is recognised as follows:

	2002 £'000	2001 £'000
Accelerated capital allowances	(3)	(115)
Other timing differences	463	441
Deferred tax asset	460	326

16 Called-up share capital

	2002 £'000	2001 £'000
Authorised, allotted, called-up and fully paid		
10,000,002 ordinary shares of £1 each	10,000	10,000

17 Reserves

	Merger reserve £'000	Capital reserve £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Group					
At 30 June 2001 as previously stated	(9,645)	48	631	28,654	19,688
Prior year adjustment	-	-	-	340	340
At 31 June 2001 as restated	(9,645)	48	631	28,994	20,028
Retained profit for the financial year	-	-	-	6,492	6,492
Transfer	-	-	(9)	9	-
At 30 June 2002	(9,645)	48	622	35,495	26,520

18 Reconciliation of movements in group equity shareholders' funds

	2002 £'000	2001 £'000
Retained profit for the financial year	6,492	4,018
Other recognised gains and losses relating to the year (net)	-	(120)
	6,492	3,898
Opening shareholders' funds as previously stated	29,688	25,790
Prior year adjustment	340	340
Opening shareholders' funds as restated	30,028	26,130
Closing shareholders' funds	36,520	30,028

19 Minority interests

	£'000
At 1 July 2001	96
Profit on ordinary activities after taxation	(56)
At 30 June 2002	40

20 Cash flow information

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

	2002 £'000	2001 £'000
Operating profit	14,677	10,800
Depreciation of tangible fixed assets	213	217
Profit on disposal of tangible fixed assets	(1)	(1)
Increase in stocks	(539)	(192)
Increase in debtors	(31,581)	(21,436)
Decrease (increase) in creditors	786	(242)
Net cash outflow from operating activities	(16,445)	(10,854)

Notes to the financial statements (continued)

20 Cash flow information (continued)

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	38	14	-	52
Overdrafts	(752)	(502)	-	(1,254)
	(714)	(488)	-	(1,202)
Finance leases	(145)	78	(68)	(135)
Loans due after one year	(68,500)	(28,500)	-	(97,000)
Current asset investments	81	25	-	106
	(68,564)	(28,397)	(68)	(97,029)
Net debt	(69,278)	(28,885)	(68)	(98,231)

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

	2002 £'000	2001 £'000
Decrease (increase) in cash in year	488	(323)
Cash inflow from increase in debt and lease financing	28,422	18,462
Cash (outflow) inflow from increase (decrease) in current asset investments	(25)	197
Change in net debt resulting from cash flows	28,885	18,336
New finance leases	68	64
Other non-cash movements	-	4
Movement in net debt in year	28,953	18,404
Net debt, beginning of year	69,278	50,874
Net debt, end of year	98,231	69,278

d) Analysis of cash flows

	2002 £'000	2001 £'000
Returns on investments and servicing of finance		
Investment income	4	7
Interest received	18	17
Interest element of finance lease payments	(11)	(11)
Interest paid	(5,617)	(4,730)
Net cash outflow from returns on investments and servicing of finance	(5,606)	(4,717)

20 Cash flow information (continued)

d) Analysis of cash flows (continued)

	2002 £'000	2001 £'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(272)	(161)
Purchase of investment properties	(5,663)	(1,166)
Sales of tangible fixed assets	40	41
Sales of investment properties	1,394	1,459
Purchase of current asset investments	(25)	-
Sale of current asset investments	-	197
Net cash (outflow) inflow from capital expenditure and financial investments	(4,526)	370

	2002 £'000	2001 £'000
Financing		
Proceeds from new borrowings	28,500	18,500
Capital element of finance lease rental payments	(10)	(38)
Net cash inflow from financing	28,490	18,462

21 Guarantees and financial commitments

Capital commitments

There are no group capital expenditure commitments at 30 June 2002 (2001 - £Nil).

Operating lease commitments

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

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Land and buildings, lease expiring				
- after five years	95	86	-	-

22 Pension arrangements

The group operates two defined contribution schemes for which the pension cost charge for the year amounted to £100,000 (2001 - £350,000).

Furthermore, the group contributes to employees personal pension plans. The total cost for the year amounted to £21,000 (2001 - £27,000).

Notes to the financial statements (continued)

23 Related party transactions

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

	Balance due to		Balance due from	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
August Blake Developments Limited	-	-	79	228
Centrestand Limited	-	-	13	13
Sedgewick House Properties Limited	3	3	-	-
UK Mortgage Corporation Limited	21	3	94	94
Regency Securities and Investments Limited	7	7	-	-
	31	13	186	335

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 2002:

i) The group received net £149,000 from August Blake Developments Limited during the year. This was to reduce an advance secured on a second charge over assets held in August Blake Developments Limited.

ii) The movement on amounts owed to UK Mortgage Corporation Limited relates to net money received and paid on behalf of that company during the year.

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 Sedegwick 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.

24 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.