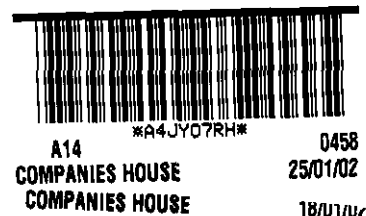


# **Burford Holdings Limited**

## **Directors' report and financial statements**

**30 June 2001**

Registered number 3085922



# **Burford Holdings Limited**

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# Burford Holdings Limited

## Report of the Directors

The Directors submit their report and the audited consolidated accounts of the company and its subsidiaries for the eighteen months ended 30 June 2001.

### Principal Activities and Review of the Business

The principal activities of the Group are property investment, development and trading in the United Kingdom. In addition, the Group is involved in the operation of hotels through a joint venture. The Group's property portfolio has been valued as at 30 June 2001 by Duncan Phillips, ARICS, an employee of the Group using a methodology supported by the Group's valuers, DTZ Debenham Tie Leung.

### Change of status

An offer made by Lehman Brothers Europe Limited on behalf of Thayer Properties Limited to acquire the company, went unconditional on 9 February 2001. On 26 April 2001, the company's status changed from a public company to a private company.

### Results and Dividends

The results for the period and the amount proposed to be transferred from reserves are shown in the consolidated profit and loss account on page 5.

The directors paid interim dividends of 32.154 pence and 1.35 pence (1999: 1.25 pence) per share and propose a final dividend of nil pence (1999: 1.45 pence) per share for the period.

### Directors

Nigel Wray resigned as Chairman, Duncan Moss resigned as a director, and the non-executive directors Anthony Solomons, Nicholas Brigstocke and Maurice Lambert all resigned on 28 February 2001 – summarised as follows:-

RJ Anderson	(resigned and re-appointed on 12 March 2001)
J Gleek	(resigned and re-appointed on 12 March 2001)
NW Wray	(Chairman, resigned on 28 February 2001)
DJB Moss	(resigned on 28 February 2001)
A Solomons	(resigned on 28 February 2001)
N Brigstocke	(resigned on 28 February 2001)
M Lambert	(resigned on 28 February 2001)
AJ Pettit	(appointed on 12 March 2001)
PA Gamester	(appointed on 12 March 2001)
WY Lee	(appointed on 12 March 2001)

Interests of the Directors in shares and share options of the company are set out in Note 7 (c).

### Donations

During the period the Group made charitable donations of £12,087. No donations were made to political parties.

# Burford Holdings Limited

## Report of the Directors continued

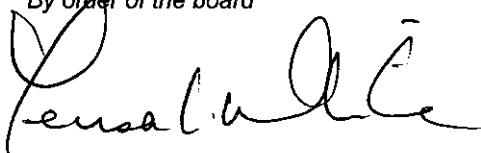
### Payment Policy

The policy of the Group and the Company is to pay suppliers by the date specific to each transaction. At 30 June 2001, the Group had 12 days' purchases outstanding, and the company had 1 day purchases outstanding.

### Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

*By order of the board*

A handwritten signature in black ink, appearing to read 'T White', written over a horizontal line.

**T White**  
*Secretary*

20 Thayer Street  
London  
W1U 2DD

9 November 2001

# **Burford Holdings Limited**

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The above statement should be read in conjunction with the statement of auditors' responsibilities set out in the audit report on page 4.

# Burford Holdings Limited

kpmg

KPMG Audit Plc  
PO Box 695  
8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

## Independent auditors' report to the members of Burford Holdings Limited

We have audited the financial statements on pages 5 to 33.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 3 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Boards and by our profession's ethical guidance.

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 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.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in 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.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company <sup>and Group's</sup> affairs as at 30 June 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

9 November 2001

# Burford Holdings Limited

## Consolidated Profit and Loss Account

for the eighteen months ended 30 June 2001

	Note	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
<b>Turnover: group and share of joint venture</b>	2	<b>112,528</b>	<b>56,365</b>
<b>Less: share of joint venture</b>		<b>(21,882)</b>	<b>(2,374)</b>
<b>Turnover</b>		<b>90,646</b>	<b>53,991</b>
<b>Cost of sales</b>	3	<b>(9,608)</b>	<b>(3,967)</b>
<b>Gross profit</b>		<b>81,038</b>	<b>50,024</b>
Administrative expenses:			
Head office costs		(7,278)	(4,472)
Corporate costs		(5,056)	(692)
Other operating income		240	156
Income from interests in associated undertakings	5	-	259
Share of result before interest in joint venture	12	3,719	(1,216)
Gains on investment property disposals		7,396	2,550
Bank interest receivable and similar income		11,009	6,643
Interest payable and similar charges	6	(64,658)	(32,349)
<b>Profit on ordinary activities before taxation</b>	7	<b>26,410</b>	<b>20,903</b>
<b>Profit on ordinary activities before tax comprises:</b>			
<b>Profit on group operating activities</b>		<b>19,888</b>	<b>20,106</b>
<b>Share of result of joint venture</b>	12	<b>(874)</b>	<b>(1,753)</b>
<b>Gains on investment property disposals</b>		<b>7,396</b>	<b>2,550</b>
		<b>26,410</b>	<b>20,903</b>
<b>Tax on profit on ordinary activities</b>			
Tax on operating activities	8	(2,007)	(3,905)
Tax on capital items	8	(2,387)	(902)
<b>Profit for the financial period</b>		<b>22,016</b>	<b>16,096</b>
<b>Dividends</b>			
Ordinary dividend	9	(135,189)	(11,422)
Special dividend	9	-	(17,864)
<b>Transfer from reserves</b>	21	<b>(113,173)</b>	<b>(13,190)</b>

All activities for the period from 31 December 1999 until 30 June 2001 are continuing activities.

# Burford Holdings Limited

## Consolidated Investment Property Surplus Statement for the eighteen months ended 30 June 2001

	<i>Note</i>	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Realised investment property surplus over book value		7,396	2,550
Realisation of property revaluation surplus of prior period		46,418	22,601
<b>Net realised investment property surplus</b>		<b>53,814</b>	<b>25,151</b>
Surplus on revaluation of investment properties	10	42,481	80,962
Deferred tax on unrealised investment property surplus		-	(1,260)
Change in interest in associate	5	-	82
<b>Net unrealised investment property surplus</b>		<b>42,481</b>	<b>79,784</b>
<b>Total investment property surplus</b>		<b>96,295</b>	<b>104,935</b>

## Consolidated Statement of Total Recognised Gains and Losses for the eighteen months ended 30 June 2001

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Profit for the financial period	22,016	16,096
Unrealised surplus on revaluation of investment properties	42,481	80,962
Deferred tax on investment surplus	-	(7,000)
Change in interest in associate	-	82
Other	(1,200)	-
Tax on realised investment property surplus in prior period	(6,599)	(1,399)
<b>Total recognised gains and losses relating to the period</b>	<b>56,698</b>	<b>88,741</b>



# Burford Holdings Limited

## Consolidated Historical Cost Profits and Losses

for the eighteen months ended 30 June 2001

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Reported profit on ordinary activities before taxation	<b>26,410</b>	20,903
Realisation of property revaluation surplus in prior period, net of attributable taxation	<b>39,819</b>	21,202
<b>Historical cost profit on ordinary activities before taxation</b>	<b>66,229</b>	<b>42,105</b>
<b>Historical cost (loss)/profit retained after taxation and dividends</b>	<b>(73,354)</b>	<b>8,012</b>

# Burford Holdings Limited

## Consolidated Balance Sheet

as at 30 June 2001

	Note	30 June 2001 £000	31 Dec 1999 £000
<b>Fixed assets</b>			
Tangible assets	10	1,001,691	1,022,236
Investments	11	1,714	2,461
Investment in joint venture:			
Share of joint venture assets		66,858	54,997
Share of joint venture liabilities		(57,440)	(39,250)
	12	9,418	15,747
		<u>1,012,823</u>	<u>1,040,444</u>
<b>Current assets</b>			
Stocks	13	2,109	2,564
Debtors: amounts falling due after more than one year	14	202,805	-
Debtors: amounts falling due within one year	15	18,189	5,158
Cash at bank and in hand	16	26,508	106,583
		<u>249,611</u>	<u>114,305</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(45,903)</u>	<u>(59,045)</u>
<b>Net current assets</b>		<u>203,708</u>	<u>55,260</u>
<b>Total assets less current liabilities</b>		<u>1,216,531</u>	<u>1,095,704</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(705,771)	(489,308)
<b>Provisions for liabilities and charges</b>	19	<u>(11,653)</u>	<u>(13,082)</u>
<b>Net assets</b>		<u>499,107</u>	<u>593,314</u>
<b>Capital and reserves</b>			
Called up share capital	20	4,043	4,230
Share premium account	21	90,825	106,354
Revaluation reserve	21	201,075	206,212
Capital redemption reserve	21	8,475	8,475
Merger reserve	21	155,047	155,047
Profit and loss account	21	39,642	112,996
<b>Equity shareholders' funds</b>	22	<u>499,107</u>	<u>593,314</u>

Approved by the Board on 9 November 2001 and signed on its behalf by:

J Gleek  
Director



# Burford Holdings Limited

## Balance Sheet

as at 30 June 2001

	Note	30 June 2001 £000	31 Dec 1999 £000
<b>Fixed assets</b>			
Investments	11	<u>9,311</u>	<u>3,069</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year		202,505	-
Debtors: amounts falling due in less than one year	14	-	170,966
Cash	15	<u>12</u>	<u>7,609</u>
		202,517	178,575
Creditors: amounts falling due within one year	17	<u>(8,853)</u>	<u>(7,943)</u>
<b>Net current assets</b>		<u>193,664</u>	<u>170,632</u>
<b>Total assets less current liabilities</b>		<u>202,975</u>	<u>173,701</u>
Creditors: amounts falling due after more than one year	18	<u>(47,302)</u>	-
<b>Net assets</b>		<u>155,673</u>	<u>173,701</u>
<b>Capital and reserves</b>			
Called up share capital	20	4,043	4,230
Share premium account	21	90,825	106,354
Capital redemption reserve	21	8,525	8,525
Profit and loss account	21	<u>52,280</u>	<u>54,592</u>
<b>Equity shareholders' funds</b>	22	<u>155,673</u>	<u>173,701</u>

Approved by the Board on 9 November 2001 and signed on its behalf by:

  
J Gleek  
Director

# Burford Holdings Limited

## Consolidated Cash Flow Statement for the eighteen months ended 30 June 2001

	<i>Note</i>	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Net cash (outflow)/inflow from operating activities	23	(140,626)	53,426
Returns on investment and servicing of finance	24	(65,346)	(28,140)
Taxation		(9,313)	(10,481)
Capital expenditure and financial investment	24	75,112	(117,643)
Acquisitions	24	263	(468)
Equity dividend paid		(141,322)	(11,006)
Cash outflow before financing and management of liquid Resources		(281,232)	(114,312)
Management of liquid resources	25	(12,020)	63,779
Financing	24	201,157	123,400
(Decrease)/increase in cash in the period		(92,095)	72,867

## Reconciliation of net cash flow to movement in net debt for the eighteen months ended 30 June 2001

	<i>Note</i>	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
(Decrease)/increase in cash for the period		(92,095)	72,867
Cash outflow/(inflow) from change in liquid resources	25	12,020	(63,779)
Change in net debt resulting from cash flows		(80,075)	9,088
Change in secured loans	25	(216,873)	(123,288)
Movement in net debt		(296,948)	(114,200)
Net debt at 31 December 1999		(382,725)	(268,525)
Net debt at 30 June 2001	25	(679,673)	(382,725)

# Burford Holdings Limited

## Notes to the Accounts

### 1. Accounting Policies

#### a. Basis of accounting

The accounts have been prepared under the historical cost accounting rules, modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards. Burford has adopted the requirements of all accounting standards up to and including FRS 16 and FRS 18. No prior period adjustments were necessary.

#### b. Group accounts

The consolidated accounts of the Group incorporate the assets and liabilities of the Company and its subsidiary undertakings and the results for the period when they were part of the Group. Results of the subsidiary and associated companies acquired during the period are included from the date of acquisition. Results of subsidiaries and associates disposed of during the period are included up to the date of disposal.

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account is not presented in respect of the Company. Also, as the group is a wholly owned subsidiary of Lehman Brothers Holdings Inc., it has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

#### c. Properties

Investment properties and properties in the course of development for investment purposes are included in the balance sheet at their open market value at the balance sheet date on the basis of a professional valuation. Aggregate surpluses or deficits arising on valuation are transferred to a revaluation reserve. Impairments in the value of properties to below their carrying values are charged directly to the profit and loss account.

Additions to investment properties include only costs of a capital nature and certain refurbishment expenditure. Costs such as interest and other property outgoings are treated as revenue expenditure and written off as incurred.

Additions to development properties include the cost of finance charges gross of taxation less any income attributable to the property. For this purpose, the interest rate is either the actual rate payable on specific borrowings to fund the project or, if financed out of general funds, the average interest rate payable on borrowings in the period, excluding the debenture which funds investment properties.

Development properties are treated as complete and are transferred to investment properties at the earliest of:

- i. the date when income exceeds outgoings, other than development costs;
- ii. the date when the property is substantially let and income producing; and
- iii. the practical completion.

In accordance with SSAP 19 (as amended) no depreciation or amortisation is provided in respect of freehold and leasehold investment properties. This treatment, as regards certain of the Group's investment properties, is a departure from the requirements of Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

The consolidated investment property surplus statement shows the surplus or deficit on investment properties arising in the period, less any provisions for deferred taxation and any amounts attributable to other parties in joint ventures. The statement distinguishes between realised surpluses, less impairments in the value of investment properties, which are distributable and therefore transferred to the profit and loss account, and unrealised surpluses which cannot be distributed and are transferred to the revaluation reserve.

# Burford Holdings Limited

## Notes to the Accounts

### 1. Accounting Policies *continued*

#### d. Turnover

Turnover represents sale proceeds of trading and other properties and rents receivable during the period (all excluding value added tax).

Turnover from joint venture represents income from hotel operations excluding value added tax.

#### e. Recognition of profits

Purchases and sales of properties are accounted for as follows:

Investment and development properties	- upon exchange of unconditional contracts;
Trading properties	- upon completion of contracts;
Ground rents and similar interests	- upon receipt of cash.

#### f. Depreciation

Depreciation is calculated so as to write off the cost less estimated residual value of fixtures, fittings and equipment by equal instalments over their estimated useful lives of 3 years for computer equipment, 4 years for motor vehicles and 10 years for other fixed assets.

#### g. Stocks

Properties held for resale are valued at the lower of cost and net realisable value, which is based on the estimated selling price less costs expected to be incurred prior to completion and disposal.

#### h. Deferred taxation

Deferred taxation is provided under the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that the liabilities will crystallise in the future. In the case of investment properties, deferred taxation is provided on revaluation surpluses only when it is anticipated that an asset will be sold.

### 2. Turnover

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Rental income	<b>88,782</b>	52,640
Sale of ground rents and trading properties	<b>1,864</b>	1,351
	<hr/> <b>90,646</b>	<hr/> 53,991
Share of turnover from joint venture – hotel operation	<b>21,882</b>	2,374
	<hr/> <b>112,528</b>	<hr/> <b>56,365</b>

All activity is carried out within the United Kingdom.

# Burford Holdings Limited

## Notes to the Accounts

### 3. Cost of Sales

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Direct property costs	9,129	3,552
Cost of ground rents and trading properties sold	479	415
	<b>9,608</b>	<b>3,967</b>

### 4. Staff Numbers and Costs

The average number of persons employed by the Group (including Executive Directors) during the period was 33 (1999: 35).  
The total payroll costs of these persons were as follows:

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Wages and salaries	4,541	2,780
Social security costs	599	316
Pension costs	182	120
	<b>5,322</b>	<b>3,216</b>

The Group does not operate any pension scheme, but makes contributions to private pension schemes of its employees.

# Burford Holdings Limited

## Notes to the Accounts

### 5. Income from Associates continued

#### a. Trading performance of associated companies

##### Chorion plc

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
<b>Associate's results:</b>		
Turnover	-	11,749
Cost of sales	-	(2,271)
Other income	-	-
Administrative expenses	-	(8,838)
Net interest receivable	-	434
<b>Profit before tax</b>	<b>-</b>	<b>1,074</b>
<b>Burford's share of results:</b>		
Share of associate's results before tax	-	259
Share of tax	-	(69)
<b>Total</b>	<b>-</b>	<b>190</b>

#### b. Movement in Burford's share of net assets

	<b>30 June 2001 Total £000</b>	<b>31 Dec 1999 Total £000</b>
At 1 January 2000	662	18,254
Share of associate's profits	-	190
Change in interest in associate	-	82
Transfer to listed investments	-	(17,864)
<b>At 30 June 2001</b>	<b>662</b>	<b>662</b>

#### c. Relationships with related parties

At 30 June 1999, Chorion was reclassified under other investments as a consequence of the proposed distribution of Chorion shares to Burford shareholders on terms set out in the circular to Burford shareholders dated 15 September 1999.



# Burford Holdings Limited

## Notes to the Accounts

### 6. Interest Payable and Similar Charges

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
On bank loans and overdrafts and other loans repayable within five period	45,969	21,845
On all other loans	21,021	14,052
Bank charges and finance fees	10,027	115
	<b>77,017</b>	<b>36,012</b>
Less interest capitalised	<b>(16,952)</b>	<b>(4,200)</b>
	<b>60,065</b>	<b>31,812</b>
Share of joint venture interest payable net of interest capitalised	<b>4,593</b>	<b>537</b>
	<b>64,658</b>	<b>32,349</b>

### 7. Profit on Ordinary Activities Before Taxation

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
<b>a. Profit on ordinary activities is stated after charging:</b>		
Directors' remuneration	2,476	1,608
Auditors' remuneration for audit services	108	69
Auditors' remuneration for other services	118	25
Depreciation	<b>316</b>	<b>187</b>

Auditors' remuneration of £10,000 (1999: £10,000) for audit services relating to the Company is included in the above figures.

# Burford Holdings Limited

## Notes to the Accounts

### 7. Profit on Ordinary Activities Before Taxation continued

#### b. Directors' remuneration

	<b>Eighteen months ended 30 June 2001</b>	<b>Year ended 31 Dec 1999</b>
Directors' remuneration	<b>2,121</b>	<b>1,534</b>
Amounts receivable under long term incentive schemes	<b>-</b>	<b>-</b>
	<b><u>2,121</u></b>	<b><u>1,534</u></b>
Company contributions to money purchase pension schemes	<b>97</b>	<b>74</b>
Compensation for loss of office	<b>258</b>	<b>-</b>
Amounts paid by third parties to third parties in respect of directors' services	<b>663</b>	<b>-</b>
	<b><u>3,139</u></b>	<b><u>1,608</u></b>

Contributions under money purchase schemes accrued to four directors in the eighteen month period to 30 June 2001 (1999: three directors).

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £833,740 (1999: £559,000) and company pension contributions of £52,024 (1999: £41,000) were made to a money purchase scheme on his behalf. During the eighteen months to 30 June 2001 four directors exercised share options including the highest paid director (1999: none).

During the period £663,306 was paid by Thayer Properties Jersey Limited to First Management Services Limited in respect of directors' services. This has not been recharged to the Group.

	<b>30 June 2001</b>	<b>31 Dec 1999</b>
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<b><u>3</u></b>	<b><u>3</u></b>

# Burford Holdings Limited

## Notes to the Accounts

### 7. Profit on Ordinary Activities Before Taxation continued

#### c. Directors' shares and options

An offer made by Lehman Brothers Europe Limited, on behalf of Thayer Properties Limited, to acquire Burford Holdings Limited went unconditional on 9 February 2001, and the interests, including family interests, of the directors are no longer applicable. Burford Holdings Limited, formerly Burford Holdings plc, changed its status on 26 April 2001 from a public company to a private company.

The interests of all directors in the share capital of the parent company were beneficial apart from 206,565 shares held non-beneficially by Nigel Wray, and 20,000 held by John Anderson's wife.

Under the terms of the offer a cash cancellation proposal was accepted on 28 February 2001 by the directors for options and shares with the exception of 350,860 options and 187,777 shares held by Julian Gleek, and 10,785,618 shares held by Nigel Wray where a loan note alternative was taken up.

Option and share details were as follows:-

	Share Options				Shares	
	30 June 2001	27 Feb 2001	Movement	01 Jan 2000	30 June 2001	01 Jan 2000
N Wray	-	519,295	4,156	515,139	-	11,539,581
J Anderson	-	2,286,489	1,244,497	1,041,992	-	40,000
J Gleek	-	1,659,380	795,068	864,312	-	906,007
D Moss	-	1,195,667	696,438	499,229	-	18,500

The share option interests of the directors changed as a result of grants under the New Burford Executive Share Option Scheme, the Long Term Incentive Plan ("LTIP") and a new ShareSave Scheme. 1988 Scheme (approved)

# Burford Holdings Limited

## Notes to the Accounts

Details of all schemes to 27 February 2001 are as follows:-

	Exercise Price	J. Gleek	J. Anderson	N. Wray	D. Moss	Exercise dates
1988 scheme	67.3p	350,860	-	-	43,912	07/04/1998 – 06/04/2005
(approved)	68.3p	-	-	-	146,373	24/03/1997 – 23/03/2004
New Burford Executive	118.0p	-	680,098	-	-	01/07/1999 – 30/06/2003
Share Option Scheme	129.0p	-	-	-	209,670	14/04/2000 – 13/04/2004
(unapproved)	101.0p	408,835	195,529	495,050	4,717	23/12/2000 – 22/12/2004
	84.5p	700,000	1,094,000	-	627,000	28/02/2003 – 27/02/2007
Burford Holdings						
Sharesave Scheme	69.6p	13,918	24,245	24,245	13,918	05/04/2003 – 04/10/2003
		*2,873	*2,873	*2,873	*2,873	
Burford Holdings Long						
Term Incentive Plan	94.0p	93,085	146,276	-	74,468	20/10/2002 – 19/10/2009
"LTIP"	102.5p	92,682	146,341	-	75,609	28/02/2003 – 27/02/2010
		*33,468	*52,845		*27,303	

\* entitlement is a pro rata figure based on grant date and early exercise date

The closing price of the parent Company's ordinary shares was not relevant on 30 June 2001 as the Company de-listed on 9 June 2001.

# Burford Holdings Limited

## Notes to the Accounts

### 8. Taxation

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Taxation based on profit for the period:		
UK Corporation tax at 30 per cent (1999: 30.25 per cent)	1,050	2,671
Deferred taxation	(593)	1,165
Share of associated undertakings' tax charge (Note 5)	-	69
Current period tax	<u>457</u>	<u>3,905</u>
Prior period underprovision	<u>1,550</u>	<u>-</u>
Tax on operating activities	2,007	3,905
Tax arising on capital items	2,387	902
	<u>4,394</u>	<u>4,807</u>

Capital allowances have reduced the tax charge by £1,748,702 (1999: £1,564,000). In addition, £6,599,000 (1999: £1,399,000) of tax has been charged to the realisation of investment property revaluation surplus in prior period of £46,418,000 (1999: £22,601,000).

### 9. Dividends

	<b>Eighteen months ended 30 June 2001 £000</b>	<b>Year ended 31 Dec 1999 £000</b>
Interim dividend paid of 1.35p per share (1999: 1.25p per share)	5,459	5,289
Interim dividend paid of 32.154p per share (1999: nil per share)	130,000	-
Final dividend nil per share (1999: 1.45p per share)	-	6,133
Overprovision re. 1999 dividend	(270)	-
Ordinary dividends	<u>135,189</u>	<u>11,422</u>
Special dividend paid of 4.23p per share	<u>-</u>	<u>17,864</u>

# Burford Holdings Limited

## Notes to the Accounts

### 10. Tangible Fixed Assets

	Investment properties		Development properties	Other properties	Fixtures, fittings and equipment	Total
	Freehold	Long leasehold	Freehold	Freehold		
Group	£000	£000	£000	£000	£000	£000
Cost or valuation:						
At 1 January 2000	727,824	117,100	173,201	3,500	1,320	1,022,945
Additions	21,436	1,517	65,053	-	310	88,316
Reclassification of properties	192,628	-	(192,628)	-	-	-
Disposals	(131,587)	(19,350)	-	-	(254)	(151,191)
Revaluation surplus	(4,176)	2,983	43,174	500	-	42,481
<b>At 30 June 2001</b>	<b>806,125</b>	<b>102,250</b>	<b>88,800</b>	<b>4,000</b>	<b>1,376</b>	<b>1,002,551</b>
Depreciation:						
At 1 January 2000	-	-	-	-	709	709
Charged in the period	-	-	-	-	316	316
Disposals	-	-	-	-	(165)	(165)
<b>At 30 June 2001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>860</b>	<b>860</b>
Net book value:						
<b>At 30 June 2001</b>	<b>806,125</b>	<b>102,250</b>	<b>88,800</b>	<b>4,000</b>	<b>516</b>	<b>1,001,691</b>
At 31 December 1999	727,824	117,100	173,201	3,500	611	1,022,236

The cost of properties included above at valuation is:

£000

Freehold investment and other properties

646,230

Long leasehold investment properties

95,711

Development properties

59,538

**801,479**

The historic cost of the Group's properties includes capitalised interest of £21,762,000 (1999: £6,083,045).

Development properties comprise Cabot Park at Avonmouth, Trafford Park at Carrington and the office development at Stratton Street, Mayfair.

At 30 June 2001 the Group's commercial investment property portfolio was valued by Duncan Phillips, ARICS, an employee of the Group using a methodology supported by the Group's independent external valuer, DTZ Debenham Tie Leung.

# Burford Holdings Limited

## Notes to the Accounts

### 11. Investments

	Shares in associated undertakings £000	Other investments £000	Total £000
<b>Group</b>			
Cost or valuation:			
At 1 January 2000	662	1,799	2,461
Disposal	-	(747)	(747)
<b>At 30 June 2001</b>	<b>662</b>	<b>1,052</b>	<b>1,714</b>
<b>Other investments</b>			
<b>Company</b>			Shares in associated undertakings £000
Cost :			
At 1 January 2000			3,069
Additions:			6,242
<b>At 30 June 2001</b>			<b>9,311</b>

### 12. Income from Joint Ventures

In March 1998 the Group commenced a joint venture ("IS Europe Limited") with Ian Schrager Hotels. Under the terms of the joint venture agreement IS Europe Limited has the right to create Ian Schrager hotels throughout Europe. Burford's share of the ordinary share capital of the joint venture is 50%.

The trading results set out below are derived from two such hotels developed in the joint venture: St Martin's Lane, which opened in September 1999, and Sanderson, which opened in April 2001.

<b>a. Trading performance of joint venture</b>	<b>IS Europe Eighteen months to 30 June 2001 £000</b>	<b>Burford's share Eighteen months to 30 June 2001 £000</b>
<b>Joint venture's results:</b>		
Turnover	43,765	21,882
Operating profit before depreciation	20,791	10,395
Depreciation	(8,292)	(4,146)
Pre-opening expenses	(3,848)	(1,924)
	8,651	4,325
Net interest payable	(9,186)	(4,593)
Payment to minority shareholder	-	(606)
<b>Loss before and after tax</b>	<b>(535)</b>	<b>(874)</b>

# Burford Holdings Limited

## Notes to the Accounts

### 12. Income from Joint Ventures continued

#### b. Net assets of joint venture comprise:

	IS Europe	Burford's share	Burford's share
	30 June	30 June	31 Dec
	2001	2001	1999
	£000	£000	£000
Fixed assets	121,284	60,642	51,238
Current assets	12,432	6,216	3,759
<b>Total assets</b>	<b>133,716</b>	<b>66,858</b>	<b>54,997</b>
Short term liabilities	(12,005)	(6,003)	(4,884)
Long term liabilities	(102,874)	(51,437)	(34,366)
<b>Total liabilities</b>	<b>(114,879)</b>	<b>(57,440)</b>	<b>(39,250)</b>

### 13. Stocks

Group	30 June	31 Dec
	2001	1999
	£000	£000
Ground rents	2,109	2,564

### 14. Debtors: Amounts falling due after more than one year

	Group		Company	
	30 June	31 Dec	30 June	31 Dec
	2001	1999	2001	1999
	£000	£000	£000	£000
Amounts owed by subsidiary undertakings	-	-	-	170,966
Amounts owed by Thayer Properties Limited	202,505	-	202,505	-
Others	300	-	-	-
	<b>202,805</b>	<b>-</b>	<b>202,505</b>	<b>170,966</b>



# Burford Holdings Limited

## Notes to the Accounts

### 15. Debtors: Amounts falling due within one year

	Group		Company	
	30 June	31 Dec	30 June	31 Dec
	2001	1999	2001	1999
	£000	£000	£000	£000
Trade debtors	8,116	2,468	-	-
Other debtors	935	997	-	2
Prepayments and accrued income	3,478	1,693	-	-
Advance corporation tax recoverable	-	-	-	7,263
Corporation tax recoverable	-	-	-	344
Deferred tax asset	5,660	-	-	-
	<u>18,189</u>	<u>5,158</u>	<u>-</u>	<u>7,609</u>

### 16. Cash at bank and in hand

Included within cash at bank at 30 June 2001 is £20,867,000 (1999: £8,846,696) held as security for loans granted to subsidiaries.

### 17. Creditors: Amounts falling due within one year

	Group		Company	
	30 June	31 Dec	30 June	31 Dec
	2001	1999	2001	1999
	£000	£000	£000	£000
Bank loans	400	-	-	-
Trade creditors	5,175	2,565	26	-
Proposed dividend payable	1,052	7,932	3,254	7,932
Corporation tax payable	7,235	4,124	573	-
Other creditors including taxation and social security	5,925	2,978	5,000	-
Accruals and deferred income	26,116	41,446	-	11
	<u>45,903</u>	<u>59,045</u>	<u>8,853</u>	<u>7,943</u>

Included in the above figures is £nil (1999: £15,640,000) relating to the purchase of investment properties.

# Burford Holdings Limited

## Notes to the Accounts

### 18. Creditors: Amounts falling due after more than one year

	30 June 2001 £000	Group 31 Dec 1999 £000
<b>Borrowings</b>		
9.625% Secured Debenture Stock 2019	<u>146,000</u>	<u>146,000</u>
10.6% Secured Mortgage 2003	<u>8,020</u>	<u>8,020</u>
Bank loans:		
Variable Secured 2001	-	35,000
Variable Secured 2002	160,000	111,000
Variable Secured 2003	19,301	117,000
Variable Secured 2004	181,850	56,288
Variable Secured 2006	16,000	16,000
Variable Secured 2007	<u>174,600</u>	<u>-</u>
	<u>551,751</u>	<u>335,288</u>
Borrowings are repayable as follows:		
Between one and two years	168,820	35,000
Between two and five years	219,551	292,308
After five years	<u>317,400</u>	<u>162,000</u>
<b>Total creditors due after more than one year</b>	<u><b>705,771</b></u>	<u><b>489,308</b></u>

The Group's borrowings are secured on £20,867,000 of the Group's cash and certain freehold and leasehold land and buildings.

	30 June 2001 £000	Company 31 Dec 1999 £000
Amounts owed by subsidiary undertakings	<u>47,302</u>	<u>-</u>

# Burford Holdings Limited

## Notes to the Accounts

### 18. Creditors: Amounts falling due after more than one year continued

The Group has taken advantage of the exemption under FRS 13, that short term debtors and creditors be excluded from the following disclosures. The exemption on the grounds of practicality from providing comparatives has also been used where appropriate.

Set out below is a comparison by category of the book values of the Group's financial liabilities as at 30 June 2001.

	Book value £m	Fair value £m
<b>Primary financial instruments held or issued to finance the Group's operations</b>		
9.625% Secured Debenture Stock 2019	146	180
10.6% Secured Mortgage 2003	8	9
	<hr/>	<hr/>
<b>Derivative financial instruments held to mortgage interest rate profile</b>		
Interest rate swaps	-	15
	<hr/>	<hr/>

The fair values of the debenture, fixed rate debit and interest rate swaps have been determined by reference to prices available from the markets on which the instruments involved are traded.

	£m
<b>Undrawn loan facilities expiring between two and five period</b>	26.7
	<hr/>

Interest rate risk and hedge profile	Fixed rate loans	Variable rate loans	Total loans
Borrowings £m	154.0	552.2	706.2
Weighted average rate	9.68%	7.03%	7.61%

All the variable rate loans are hedged through interest rate swaps which are summarised below.

<b>Hedge profile - maturity of protection</b>	£m
In one year or less	-
Between one and two years	160.0
Between two and five years	217.2
After five years	216.6
	<hr/>
	<b>593.8</b>
	<hr/>

All gains and losses arising from hedged instruments crystallised during the period have been recognised in the profit and loss account. All monetary assets and liabilities are denominated in sterling.

# Burford Holdings Limited

## Notes to the Accounts

### 19. Provisions for Liabilities and Charges

	Deferred Taxation £000
At 1 January 2000	13,082
Profit and loss account	(593)
Utilised in the period	(836)
<b>At 30 June 2001</b>	<b>11,653</b>

	30 June 2001		31 Dec 1999	
Deferred taxation:	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Short term timing differences, including accelerated capital allowances	(48)	6,958	(108)	8,472
Trading properties	495	-	588	-
Potential tax on revaluation surpluses	11,206	-	12,602	59,186
	<b>11,653</b>	<b>6,958</b>	<b>13,082</b>	<b>67,658</b>

There is no unprovided deferred tax on revaluation surpluses at 30 June 2001 due to the availability of capital losses within Burford Holdings group of companies.

### 20. Share Capital

	30 June 2001 £000	31 Dec 1999 £000
<b>Authorised</b>		
<b>Equity share capital</b>		
600,000,000 ordinary shares of 1p each	6,000	6,000
<b>Non equity share capital</b>		
1,000,000,000 special interest shares of 1p each	10,000	10,000
427,000,000 non-voting C shares of 0.000001p each	-	-
	<b>16,000</b>	<b>16,000</b>
<b>Allotted and called up</b>		
<b>Equity share capital</b>		
404,300,434 (1999: 422,956,494) fully paid ordinary shares of 1p each	4,043	4,230
427,000,000 (1999: 427,000,000) non-voting C shares of 0.000001p each	-	-
	<b>4,043</b>	<b>4,230</b>

During the period, 18,656,060 shares, representing 4.4% of the opening share capital, were repurchased and cancelled by the company at a cost of £15,716,000.

# Burford Holdings Limited

## Notes to the Accounts

### 21. Reserves

	Share premium account £000	Revaluation reserve £000	Capital redemption £000	Merger reserve £000	Profit and loss account £000
<b>Group</b>					
At 1 January 2000	106,354	206,212	8,475	155,047	112,996
Retained loss for the period	-	-	-	-	(113,173)
Investment property surplus	-	42,481	-	-	-
Revaluation surplus realised	-	(39,819)	-	-	39,819
Tax on realisation of investment property surplus in prior period	-	(6,599)	-	-	-
Shares repurchased	(15,529)	-	-	-	-
Other	-	(1,200)	-	-	-
<b>At 30 June 2001</b>	<b>90,825</b>	<b>201,075</b>	<b>8,475</b>	<b>155,047</b>	<b>39,642</b>

The Group's revaluation reserve is attributable to investment properties and is not available for distribution as it is not realised. The cumulative amount of goodwill is eliminated against reserves at 30 June 2001 is £4,631,000 (1999: £4,631,000).

	Share premium account £000	Capital Redemption Account £000	Profit and loss account £000
<b>Company</b>			
At 1 January 2000	106,354	8,525	54,592
Retained loss for the year	-	-	(2,312)
Shares repurchased	(15,529)	-	-
<b>At 30 June 2001</b>	<b>90,825</b>	<b>8,525</b>	<b>52,280</b>
	<b>30 June 2001 £000</b>		<b>31 Dec 1999 £000</b>
<b>Profit/(loss) for the period</b>			
Dealt with in the accounts of the Company	(2,312)		993
Retained by subsidiaries	25,202		16,666
Retained by associates and joint ventures	(874)		(1,563)
	<b>22,016</b>		<b>16,096</b>

# Burford Holdings Limited

## Notes to the Accounts

### 22. Reconciliation of Movements in Equity Shareholders' Funds

	Group		Company	
	30 June 2001 £000	31 Dec 1999 £000	30 June 2001 £000	31 Dec 1999 £000
At 1 January	593,314	533,747	173,701	172,596
Retained (loss)/profit for the period	(113,173)	(13,190)	(2,312)	993
Issue of new shares and options exercised	-	112	-	112
Tax on realisation of investment property surplus in prior period	(6,599)	(1,399)	-	-
Investment property surplus	42,481	80,962	-	-
Deferred tax on revalued assets	-	(7,000)	-	-
Shares repurchased	(15,716)	-	(15,716)	-
Change in interest in associate	-	82	-	-
Other	(1,200)	-	-	-
<b>At 30 June/31 December</b>	<b>499,107</b>	<b>593,314</b>	<b>155,673</b>	<b>173,701</b>

# Burford Holdings Limited

## Notes to the Accounts

### 23. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	30 June 2001 £000	31 Dec 1999 £000
Profit on operating activities before interest	68,944	45,275
Depreciation charges	148	164
Income from interest in associated undertakings	-	(190)
Decrease in stocks	455	287
(Increase)/decrease in debtors	(210,295)	2,633
Increase in creditors	122	5,257
<b>Net cash inflow from operating activities</b>	<b>(140,626)</b>	<b>53,426</b>

### 24. Analysis Flows for Headings Netted in the Cash Flow Statement of Cash

	30 June 2001 £000	31 Dec 1999 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	11,009	6,643
Interest paid	(76,355)	(34,783)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(65,346)</b>	<b>(28,140)</b>
 <b>Capital expenditure and financial investment</b>		
Purchase of investment properties	(83,168)	(229,091)
Purchase of tangible assets	(308)	(172)
Sale of investment properties	158,334	111,573
Sale of other tangible assets	254	47
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>75,112</b>	<b>(117,643)</b>

# Burford Holdings Limited

## Notes to the Accounts

### 24. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement *continued*

	30 June 2001 £000	31 Dec 1999 £000
<b>Acquisitions</b>		
Purchase of investment	(5,192)	(468)
Joint venture capital reduction	5,455	-
<b>Net cash inflow/(outflow) from acquisitions</b>	<b>263</b>	<b>(468)</b>
<b>Financing</b>		
Issue of ordinary share capital net of expenses	-	112
Purchase of own shares	(15,716)	-
New secured loans drawdown	216,873	123,288
<b>Net cash inflow from financing</b>	<b>201,157</b>	<b>123,400</b>

### 25. Analysis of Changes in Net Debt

	30 June 2001 £000	Net cash outflow £000	Net change in secured loans £000	31 Dec 2001 £000
Cash at bank and in hand	26,508	(80,075)	-	106,583
Debt due after one year	(706,181)	-	(216,873)	(489,308)
<b>Net debt</b>	<b>(679,673)</b>	<b>(80,075)</b>	<b>(216,873)</b>	<b>(382,725)</b>
Secured deposits	(20,867)	(12,020)	-	(8,847)
	<b>(700,540)</b>	<b>(92,095)</b>	<b>(216,873)</b>	<b>(391,572)</b>



# Burford Holdings Limited

## Notes to the Accounts

### 26. Principal Subsidiary Undertakings

The principal trading subsidiary undertakings, all of which are owned by subsidiary undertakings of Burford Holdings Limited and are registered in England and Wales, are as follows:

Principal subsidiary undertakings	Activity
Burford Group Limited	Property investment
Burford Investment Company Limited	Property investment
Burford Cabot Limited	Property investment
Burford Euro Limited	Property investment
Burford Fishergate Limited	Property investment
Burford (Berkeley) Limited	Property investment
Burford WC2 Limited	Property investment
Burford Dunstable Limited	Property investment
Burford Realisations Limited	Property investment
Burford UK Properties Limited	Property investment
Burford Secured Properties Limited	Property investment
Burford Liverpool Limited	Property investment
Burford Cockhedge Limited	Property investment
Burford Estate & Property Company Limited	Property trading
Burford Thurrock Limited	Property investment
Burford York Limited	Property investment
Burford Stoke Limited	Property investment
Burford (Savoy) Limited	Property investment
Burford Strathdon Limited	Property investment
Burford Fareham Limited	Property investment
Burford (Stratton) Limited	Property investment
Burford Chequers Horley Limited	Property investment
Burford Phoenix Limited	Property investment
Burford City Plaza Limited	Property investment
Burford Thayer Limited	Property investment
Burford Hydro Limited	Property investment

The only issued share capital of each subsidiary is ordinary share capital. A full list of subsidiaries will be annexed to the next annual return.

# Burford Holdings Limited

## Notes to the Accounts

### 27. Capital Commitments

The following capital commitments have been entered into by the Group:

	30 June 2001 £000 Authorised & Contracted	31 Dec 1999 £000 Authorised & Contracted
Property construction and refurbishment	<u>25,989</u>	<u>63,400</u>

### 28. Ultimate Holding Company

The ultimate holding company of Burford Holdings Limited is Lehman Brothers Holdings Inc., a company incorporated in the State of Delaware in the USA.

The largest group in which the results of the company are consolidated is that headed by Lehman Brothers Holdings Inc. The smallest group in which they are consolidated is that headed by Lehman Brothers Holdings plc, a company registered in England and Wales.

The consolidated accounts of these companies are available to the public from 101, Hudson Street, Jersey City, NJ07032, USA and from One Broadgate, London respectively.

### 29. Related Party Transactions

The following were related party transactions entered into by the Group with companies whose directors were also directors of the Group at the time of the transactions:

1. Following the takeover of the Group, John Anderson and Julian Gleek remained as directors of the Group. Their remuneration was paid by First Management Services Limited, a company of which they are also directors.

During the period, First Management Services Limited charged Thayer Properties (Jersey) Limited, a subsidiary of the ultimate parent company, £663,306 in respect of their remuneration as directors of the Group and this had not been recharged to the Group.

Also during the period, Burford Group Limited recharged First Management Services Limited £10,037 in respect of healthcare and pension costs. These amounts were recharged at cost to the Group and no amounts remained outstanding at the balance sheet date.

2. Nicholas Brigstocke was a non-executive director during the period and was also Chairman of Credit Suisse First Boston de Zoete & Bevan Limited. During the period of his non-executive directorship, the Group paid £2,207,342 to Credit Suisse First Boston in respect of independent financial advice to the Board regarding the takeover of the Group. No amounts remained outstanding at the balance sheet date.

# Burford Holdings Limited

## Notes to the Accounts

### 29. Related Party Transactions *continued*

3. Nigel Wray is a director of Brendon Street Investments Limited. During the period he was a director of the Group, the Group recharged Brendon Street Investments Limited £19,742 in respect of employee, taxis, courier, company searches and stationary costs. These amounts were recharged at cost to the Group and no amounts remained outstanding at the balance sheet date.
4. John Anderson is a director of the Group and a director of Cassava Enterprises Limited. During the period the Group recharged Cassava Enterprises Limited £3,176 in respect of travel, courier and telephone costs. These amounts were recharged at cost to the Group and no amounts remained outstanding at the balance sheet date.

### 30. Post balance sheet events

On 9 October 2001, the Group completed on the disposal of Burford Group Limited and its subsidiaries, all of which were wholly owned by Burford Holdings Limited.

At 30 June 2001, Burford Group Limited and its subsidiaries held £243 million worth of properties and a £146 million listed debenture.