

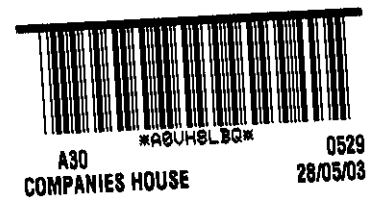
NEST INVESTMENTS PROPERTY LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2002

Registered Number 3197767

PKF



NEST INVESTMENTS PROPERTY LIMITED
(Registered Number 3197767)
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 2002

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**NEST INVESTMENTS PROPERTY LIMITED
DIRECTORS' REPORT**

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

REVIEW OF THE YEAR

There has been no significant change in the activities of the company.

RESULTS

The profit for the financial year after tax amounted to £41,193 (2001: loss £9,312).

PRINCIPAL ACTIVITY

The principal activity of the company is the renting of property.

DIRECTORS

The directors who served during the year were:-

G K Abu Nahl
M Eftekhar

AUDITORS

PKF are eligible for re-appointment as auditors to the company and a resolution proposing their re-appointment will be proposed at the AGM.

BASIS OF PREPARATION

This directors' report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD



E Tan

For and on behalf of
St John's Square
Secretaries Limited

19 May 2003

NEST INVESTMENTS PROPERTY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NEST INVESTMENTS PROPERTY LIMITED

We have audited the financial statements of Nest Investments Property Limited for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985.
Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company's members as a body for our audit work, for this report or for the opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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


PKF
Registered Auditors

London, UK

Date 19 May 2003

NEST INVESTMENTS PROPERTY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
TURNOVER		413,353	411,794
Cost of sales		-	-
GROSS PROFIT		413,353	411,794
Administrative expenses		(121,372)	(212,900)
OPERATING PROFIT		291,981	198,894
Other income	3	1,133	-
Interest payable and similar charges	4	(247,613)	(208,206)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	45,501	(9,312)
TAXATION ON ORDINARY ACTIVITIES	6	4,308	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION	13	41,193	(9,312)

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2002</u> £	<u>2001</u> £
Profit/(loss) for the financial year	41,193	(9,312)
Unrealised surplus on revaluation of property	157,662	376,934
Total recognised gains and losses for the year	198,855	367,622

NEST INVESTMENTS PROPERTY LIMITED
BALANCE SHEET
31 DECEMBER 2002

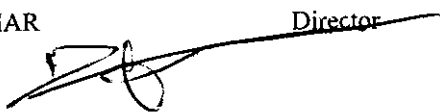
	<u>Notes</u>	<u>£</u>	<u>2002</u>	<u>£</u>	<u>£</u>	<u>2001</u>	<u>£</u>
FIXED ASSETS							
Tangible assets	7		4,674,546			4,537,171	
CURRENT ASSETS							
Debtors & prepayments	8	79,184			59,104		
Cash at bank and in hand		7,011			50,427		
			86,195		109,531		
CREDITORS							
Amounts falling due within one year	9	(235,264)			(370,598)		
NET CURRENT LIABILITIES			(149,069)			(261,067)	
TOTAL ASSETS LESS CURRENT LIABILITIES			4,525,477			4,276,104	
CREDITORS							
Amounts falling due after more than one year	10		(3,575,198)			(3,524,680)	
NET ASSETS			950,279			751,424	
CAPITAL AND RESERVES							
Called up share capital	11		1,000			1,000	
Revaluation reserve	12		1,427,459			1,269,797	
Profit and loss account	13		(478,180)			(519,373)	
			950,279			751,424	

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Approved by the board on 5 May 2003

M. EFTEKHAR

Director



NEST INVESTMENTS PROPERTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are material to the company's affairs.

(a) Accounting convention

The financial statements set out on pages 4 to 9 have been prepared under the historical cost convention, with the exception of land and buildings which are included at a valuation, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

(b) Depreciation

Tangible fixed assets are written off over their estimated useful lives on a straight line basis at the following rates:

	<u>Rates</u>
Furniture, fixture and fittings	15%
Plant and machinery	10%
Computer equipment	50%

(c) Turnover

Turnover represents rents receivable, service charges and insurance recoveries.

(d) Deferred tax

Provision is made for deferred tax using the full provision method. Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

(e) Investment properties

Land and buildings representing investment properties are included at market value.

(f) Foreign currency

Transactions denominated in foreign currency are translated at the rate of exchange ruling on the date of the transaction. Assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date.

2 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2002</u> £	<u>2001</u> £
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation	20,287	20,287
Auditors' remuneration	5,000	5,000
	<u> </u>	<u> </u>

3 OTHER INCOME

Charge to related company	1,133	-
	<u> </u>	<u> </u>
	1,133	-
	<u> </u>	<u> </u>

NEST INVESTMENTS PROPERTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

4	INTEREST PAYABLE	<u>2002</u> £	<u>2001</u> £
	Bank interest and charges	180,187	133,184
	Interest due to group undertakings	67,426	75,022
		<u>247,613</u>	<u>208,206</u>
5	DIRECTORS' REMUNERATION		
	The directors did not receive any remuneration during the year.		
6	TAXATION	<u>2002</u> £	<u>2001</u> £
	(a) Analysis of charge in year		
	Current tax		
	UK corporation tax on profits of the year at 30%	4,308	-
		<u>4,308</u>	<u>-</u>
	(b) Deferred tax		
	Deferred tax comprises:		
	Capital allowances in excess of depreciation	62,292	52,255
	Timing difference re interest payable	(62,292)	(52,255)
		<u>-</u>	<u>-</u>
	Deferred tax at 31 December 2002	-	-
		<u>-</u>	<u>-</u>

In addition, there is further interest payable on which tax relief will be available when it is paid amounting to £362,000. A deferred tax asset relating to this amount has not been included as its recoverability is not sufficiently certain.

7

TANGIBLE FIXED ASSETS					
	<u>Land and buildings</u> £	<u>Furniture Fixtures & Fittings</u> £	<u>Plant and machinery</u> £	<u>Computer Equipment</u> £	<u>Total</u> £
Cost or valuation					
At 1 January 2002	4,442,338	99,273	53,963	6,327	4,601,901
Revaluation	157,662	-	-	-	157,662
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	4,600,000	99,273	53,963	6,327	4,759,563
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2002	-	(41,611)	(16,792)	(6,327)	(64,730)
Charge for year	-	(14,891)	(5,396)	-	(20,287)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	(56,502)	(22,188)	(6,327)	(85,017)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amounts					
At 31 December 2002	4,600,000	42,771	31,775	-	4,674,546
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	4,442,338	57,662	37,171	-	4,537,171

NEST INVESTMENTS PROPERTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

7 TANGIBLE FIXED ASSETS (Continued)

As from 1 January 1998 the land and buildings shown above became investment properties and are included at market value. Accordingly, no depreciation charge is appropriate since that date. The requirement of the Companies Act is to depreciate all fixed assets but that requirement conflicts with the Financial Reporting Standard for Smaller Entities (effective June 2002) ("the FRSSE"). The directors consider that to depreciate investment properties would not give a true and fair view and have therefore adopted the principles of the FRSSE. If this departure from the Act had not been made the profit would have been reduced by depreciation amounting to approximately £80,000. All other tangible fixed assets are included at cost less the appropriate depreciation.

The investment property was valued as at 29 May 2002 on an open market basis at £4.6 million by independent chartered surveyors. If the property was sold at its revalued amount there would be a potential tax liability on the chargeable gain of approximately £300,000.

8 DEBTORS	<u>2002</u> £	<u>2001</u> £
Debtors comprised:		
Other debtors	584	885
Prepayments	3,502	3,532
Trade debtors	75,098	54,687
	<hr/>	<hr/>
	79,184	59,104
	<hr/>	<hr/>

9 CREDITORS

Amounts falling due within one year:

Bank loan (see note 10)	60,589	229,755
Bank overdraft	22,514	13
Corporation tax	4,308	-
Accruals and deferred income	147,853	140,830
	<hr/>	<hr/>
	235,264	370,598
	<hr/>	<hr/>

10 CREDITORS

Amounts falling due after more than one year:

Due to parent undertaking	2,235,787	2,154,035
Bank loan	1,339,411	1,370,645
	<hr/>	<hr/>
	3,575,198	3,524,680
	<hr/>	<hr/>

The amount due to the parent undertaking represents a loan from Nest Investments Limited repayable at the rate of 0.5% above STG LIBOR fixed on 31 December each year on the principal amount of £1,500,444. There is no fixed date for repayment of the loan.

The bank loan represents a loan from Bank of Scotland repayable at an interest rate of 5.75% per annum. The repayment period of the loan is fifteen years (i.e. 180 monthly instalments). The loan is secured by a) first legal charge over Nest Business Park, and b) an all monies debenture over the assets of the company.

NEST INVESTMENTS PROPERTY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2002

11	CALLED UP SHARE CAPITAL		<u>2002</u>		<u>2001</u>	
		<u>Number</u>	£	<u>Number</u>	£	
	Authorised:					
	Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
	Allotted, called up and fully paid:					
	Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	
12	REVALUATION RESERVE			<u>2002</u>	<u>2001</u>	
				£	£	
	Balance at 1 January 2002			1,269,797	892,863	
	Revaluation in the year			<u>157,662</u>	<u>376,934</u>	
	Balance at 31 December 2002			<u>1,427,459</u>	<u>1,269,797</u>	
13	PROFIT AND LOSS ACCOUNT					
	The movement of reserves during the year was as follows:					
	At 1 January 2002			(519,373)	(510,061)	
	Profit/(loss) for the year			<u>41,193</u>	<u>(9,312)</u>	
	At 31 December 2002			<u>(478,180)</u>	<u>(519,373)</u>	
14	PARENT UNDERTAKING AND CONTROLLING PARTY					
	The company is a 100% subsidiary of Nest Investments Limited, a company incorporated in Jersey. The controlling party is Mr G K Abu Nahl.					
15	RELATED PARTY TRANSACTIONS					
	The company has a loan from its parent company as disclosed in note 10. The interest payable on this loan is shown in note 4.					
	The parent company has charged expenses of £47,000 to the company during the year.					
	In November 2002 the company agreed that the property at Nest Business Park would be used as collateral for £1.36 million to enable its bankers to issue a bank guarantee to the Corporation of Lloyd's on behalf of another group company, Trust International Insurance Co., EC Bahrain, on account of Trust Underwriting Limited. A fee of £1,133 was received for the provision of this security.					