Wellington Pub Company Plc

Report and Financial Statements

31 December 2003

ERNST & YOUNG

340623.

ALG2KUWO
A11 0652
COMPANIES HOUSE 12/06/04

Directors
H Osmond
A McIntosh
T A Teichman
B F Baldock
R Myers
M N Jonas

Secretary
A Makadia

Auditors
Ernst & Young LLP
One Colmore Row
Birmingham
B3 2DB

Bankers
Nat West
PO Box 75
3 Cornmarket
Thame
Oxon
OX9 3YS

Solicitors
Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Registered office
54 Baker Street
London
W1M 1DJ

ERNST & YOUNG

Directors' report

The directors present their report and financial statements for the year ended 31 December 2003.

Results and dividends

The profit for the year, after taxation, amounted to £7,108,000 (2002: £6,881,000). Ordinary dividends of £3,100,000 (2002: £nil) were paid during the year.

Principal activities and review of the business

The principal activity of the company is managing leased properties. In the opinion of the directors the activities of the company will remain substantially as described above.

During the year the directors arranged for an external valuation of the investment properties to be performed. This resulted in an uplift of £151.9m.

Events since the balance sheet date

A decision was made post year end to sell the company's investment in the entire share capital of Wellesley Capital Investment Limited at book value to Wellington Investments Limited, the company's parent undertaking.

Directors and their interests

The directors at 31 December 2003 are listed on page 1.

None of the directors had any declarable interest in the shares of the company at 31 December 2003.

A McIntosh, H Osmond, M Jonas, B Baldock, T Teichman and R Myers are also directors of the parent undertaking and controlling party, Wellington Investments Limited.

Their interest in Wellington Investments Limited are shown as follows:

	No. of shares at 31 December:			
	2003		*2002*	
	Ordinary	*Ordinary "B" Shares*	*Ordinary*	*Ordinary "B" Shares*
A McIntosh	82,649	-	44,795	-
H Osmond	94,774	-	83,801	-
M N Jonas	57,157	-	26,812	-
B F Baldock	-	18	-	18
T A Teichman	-	12	-	12
R Myers	114,094	4	102,094	4

The "B" share holdings do not have voting rights nor the right to receive any notice of any general meetings. However, they do have the rights to dividends.

The shareholdings shown in the name of M N Jonas are held by Trustees of The Jonas Trust of which M N Jonas is a beneficiary.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2003, the company had an average of 30 days purchases outstanding in trade creditors.

Directors' report

Donations
During the year, the company made charitable donations totalling £nil (2002: £500).

Auditors
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Director
Dated
20-05 - 2004

Statement of directors' responsibilities in respect of the financial statements

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 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

ERNST & YOUNG

Independent auditors' report

to the members of Wellington Pub Company Plc

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These financial statements have been prepared on the basis of 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

20 MAY 2004

Profit and loss account
for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Turnover	2	27,148	26,208
Administrative expenses		(1,847)	(1,984)
Other operating income		366	389
Operating profit	3	25,667	24,613
Bank interest receivable	5	1,061	1,058
Interest payable and similar charges	6	(15,786)	(16,329)
Profit on ordinary activities before taxation		10,942	9,342
Tax on profit on ordinary activities	7	(3,834)	(2,461)
Profit on ordinary activities after taxation		7,108	6,881
Dividends:			
ordinary dividends on equity shares	8	(3,100)	–
Profit retained for the financial year	18	4,008	6,881

ERNST & YOUNG

Statement of total recognised gains and losses
for the year ended 31 December 2003

	2003 *£000*	*2002* *£000*
Profit for the financial year	7,108	6,881
Unrealised surplus on revaluation of investment properties	151,889	–
Total gains and losses recognised since the last annual report	158,997	6,881

Note of historical cost profits and losses
for the year ended 31 December 2003

	2003 *£000*	*2002* *£000*
Reported profit on ordinary activities before taxation	10,942	9,342
Realisation of gains recognised in previous periods	291	190
Historical cost profit on ordinary activities before taxation	11,233	9,532
Historical cost profit for the year retained after taxation and dividends	4,299	7,071

ERNST & YOUNG

Balance sheet
at 31 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	9	392,249	241,207
Current assets			
Debtors	10	8,992	2,222
Investments	11	600	–
Cash at bank		27,378	32,152
		36,970	34,374
Creditors: amounts falling due within one year	13	14,524	12,608
Net current assets		22,446	21,766
Total assets less current liabilities		414,695	262,973
Creditors: amounts falling due after more than one year	14	210,657	218,666
Provisions for liabilities and charges			
Deferred taxation	7	9,935	6,101
		194,103	38,206
Capital and reserves			
Called up share capital	17	13	13
Revaluation reserve	18	174,184	22,586
Profit and loss account	18	19,906	15,607
Equity shareholders' funds	18	194,103	38,206

Director
20-05-2004

ERNST & YOUNG

Statement of cash flows
for the year ended 31 December 2003

	2003 £000	2002 £000
Net cash inflow from operating activities	16,303	22,544
Returns on investments and servicing of finance		
Interest received	1,076	1,058
Interest paid	(15,782)	(16,323)
Net cash outflow from returns on investments and servicing of finance	(14,706)	(15,265)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(2,251)	(445)
Receipts from sales of tangible fixed assets	5,454	4,556
	3,203	4,111
Equity dividends paid	(3,100)	–
Cash inflow before financing	1,700	11,390
Financing		
Repayment of bank loans	(6,474)	(4,747)
(Decrease)/increase in cash	(4,774)	6,643

Reconciliation of operating profit to net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	25,667	24,613
Depreciation	59	53
Profit on disposal of fixed assets	(2,415)	(2,405)
Increase in debtors	(6,785)	(301)
(Decrease)/increase in creditors	(223)	584
Net cash inflow from operating activities	16,303	22,544

ERNST & YOUNG

Statement of cash flows (continued)
for the year ended 31 December 2003

Reconciliation of net cash flow to movement in net debt

	2003 *£000*	*2002* *£000*
(Decrease)/increase in cash	(4,774)	6,643
Amortisation of issue costs	(131)	(106)
Cash outflow from decrease in bank loans	6,474	4,747
	1,569	11,284
Change in net debt	1,569	11,284
Net debt at 1 January	(188,782)	(200,066)
Net debt at 31 December	(187,213)	(188,782)

Analysis of changes in net debt

	At 1 January 2003 £000	*Cash flows £000*	*Amortisation of issue costs £000*	*At 31 December 2003 £000*
Net cash:				
Cash at bank and in hand	32,152	(4,774)	-	27,378
Debt:				
Debt due after one year	(220,934)	6,474	(131)	(214,591)
	(188,782)	1,700	(131)	(187,213)

ERNST & YOUNG

Notes to the financial statements
at 31 December 2003

1. Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of consolidation
The company is not required to prepare group accounts under s.228 of the Companies Act 1985. The company is included in the consolidated accounts of Wellington Investments Limited. The accounts show information relating to the company as an individual undertaking and not as a group.

Investment properties
Certain of the company's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

- investment properties are revalued every five years. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the Profit and Loss Account for the year; and
- no depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Depreciation
Depreciation is provided on all tangible fixed assets, other than all freehold investment properties and leasehold investment properties where the lease has 20 years or more to run, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or *revaluation of each asset evenly over its expected useful life as follows:*

Leasehold land and buildings - over the shorter of the term and 20 years
Fixtures and fittings - 20% straight line method
Motor Vehicles - 20% straight line method
ATM Machines – 20% straight line method

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Notes to the financial statements
at 31 December 2003

1. Accounting policies *(continued)*

Deferred taxation
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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

• provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned:

• deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating lease agreements
Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Repairs and maintenance
Expenditure on repairs and maintenance is charged to profit on the basis of costs incurred.

Capital instruments
Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

2. Turnover
Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover relates to one continuing activity, leasing of public houses to independent publicans. All of the company's business is performed in the United Kingdom.

3. Operating profit
This is stated after charging/(crediting):

	2003	*2002*
	£000	*£000*
Auditors' remuneration - audit services	25	20
Depreciation of owned fixed assets		
- Short leasehold buildings	18	18
- Other	41	35
Profit on disposal of fixed assets	(2,415)	(2,405)
Professional fees	2,435	2,413
Maintenance and repairs	70	188
Operating lease rentals - land and buildings	72	84

The company contracts a third party administrator to manage the pub portfolio as well as to perform the credit control function and other accounting functions. The costs are described as professional fees above. As a result the company has not hired any full time staff.

Notes to the financial statements

at 31 December 2003

4. Directors' emoluments

The company was charged management fees of £759,988 for the year by Wellington Investments Limited. At 31 December 2003, there was £7,050 remaining to be paid. The directors, apart from T Teichman whose fees are disclosed in note 16, are paid from Wellington Investments Limited. The directors believe that it is not practicable to apportion this amount between their services as directors of this company and their services as directors of Wellington Investments Limited.

5. Interest receivable

	2003	*2002*
	£000	*£000*
Bank interest receivable	1,061	1,058

6. Interest payable and similar charges

	2003	*2002*
	£000	*£000*
Amortisation of issue costs	131	106
Interest on bonds	15,655	16,223
	15,786	16,329

ERNST & YOUNG

Notes to the financial statements
at 31 December 2003

7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 *£000*	*2002* *£000*
Current tax:		
UK Corporation tax	–	–
Deferred tax:		
Origination and reversal of timing differences	3,276	2,856
Deferred tax under/(over) provided in previous years	558	(395)
	3,834	2,461

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year has been reduced by the utilisation of tax losses brought forward. The difference is reconciled below:

	2003 *£000*	*2002* *£000*
Profit on ordinary activities before taxation	10,942	9,342
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	3,283	2,803
Expenses not deductible for tax purposes	4	7
Capital allowances in excess of depreciation	(816)	(1,085)
Profit on sale of tangible fixed assets	(725)	(722)
Taxable gain on sale of tangible fixed assets	714	749
Utilisation of tax losses	(2,460)	(1,752)
Current tax charge for the year	–	–

(c) Factors affecting future tax charge

Tax losses carried forward are recognised as deferred tax assets only to the extent that the directors are of the opinion that they will be utilised in the subsequent accounting periods. The company's planned level of capital investment is expected to remain at similar levels of investment. Therefore, it expects to be able to claim allowances in excess of depreciation in future years.

Notes to the financial statements
at 31 December 2003

7. Tax on profit on ordinary activities *(continued)*

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2003	*2002*
	£000	*£000*
Accelerated capital allowances	12,254	11,438
Tax losses available	(2,319)	(5,337)
Provision for deferred taxation	9,935	6,101

	£000
At 1 January 2003	6,101
Adjustment in respect of previous years	558
Charged to the profit and loss account	3,276
At 31 December 2003	9,935

Deferred tax has not been provided on the revaluation surplus, as there is no intention to dispose of the properties.

The amount of deferred tax that has not been provided on the revalued estate is estimated to be £41,035,500 (2002: £nil).

8. Dividends

	2003	*2002*
	£000	*£000*
Equity dividends on ordinary shares:		
Interim paid	3,100	–

ERNST & YOUNG

Notes to the financial statements
at 31 December 2003

9. Tangible fixed assets

	Investment Properties £000	*ATM Machines £000*	*Fixtures & Fittings £000*	*Motor Vehicles £000*	*Total £000*
Cost or valuation:					
At 1 January 2003	241,128	–	175	–	241,303
Additions	2,149	35	–	67	2,251
Disposals	(3,039)	–	–	–	(3,039)
Revaluation during the year	151,817	–	–	–	151,817
At 31 December 2003	392,055	35	175	67	392,332
Depreciation:					
At 1 January 2003	54	–	42	–	96
Provided during the year	18	5	30	6	59
Revaluation during the year	(72)	–	–	–	(72)
At 31 December 2003	–	5	72	6	83
Net book value:					
At 31 December 2003	392,055	30	103	61	392,249
At 1 January 2003	241,074	–	133	–	241,207

The split of leasehold buildings is as follows:

	Long Leasehold £000	*Short Leasehold £000*	*Total £000*
Cost or valuation:			
At 1 January 2003	6,353	285	6,638
Revaluation during the year	4,120	66	4,186
At 31 December 2003	10,473	351	10,824
Depreciation:			
At 1 January 2003	-	54	54
Charge for year	-	18	18
Revaluation during the year	-	(72)	(72)
At 31 December 2003	-	-	-
Net Book Value:			
At 31 December 2003	10,473	351	10,824
At 31 December 2002	6,353	231	6,584

Notes to the financial statements
at 31 December 2003

9. Tangible fixed assets *(continued)*

On the 4 February 2004, DTZ Debenham Tie Leung valued the pubs at £389.5 million. The valuation was performed on an open market basis and was in accordance with RICS Appraisal and Valuation Manual *with the exception of the following:*

(1) no individual property values were assigned to each of the pubs nor was an aggregate of individual property values given

(2) inspections of a sample were undertaken

Subsequent to the valuation there was a project undertaken by the company to allocate the net book value to individual pubs.

10. Debtors

	2003	*2002*
	£000	*£000*
Trade debtors	1,222	1,232
Amounts owed by group undertakings	7,075	480
Other debtors	267	181
Prepayments and accrued income	428	329
	8,992	2,222

11. Investments

	Investments in subsidiary undertakings
	£000
Cost:	
Additions	600
At 31 December 2003	600

During the year the company purchased the entire share capital of Wellesley Capital Investment Limited, a company registered in England and Wales. Wellesley Capital Investment Limited made a profit for the four month period to 31 December 2003 of £44,222 and its net assets at that date were £644,222.

Post year end, a decision was made to sell the entire share capital of Wellesley Capital Investment Limited to Wellington Investments Limited at book value.

12. Cash at Bank and in Hand

Included in cash is £6 million held in a liquidity reserve account. This was set up as part of the bond issue and may be used in certain specified cases of funds deficiency for payments of interest on bond issue.

Notes to the financial statements
at 31 December 2003

13. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Current instalment due on bonds (note 14)	3,934	2,268
Trade creditors	140	274
Amounts owed to group undertakings	609	–
Other taxation and social security costs	934	925
Other creditors	344	264
Accrued interest on subordinated debt and bond issue	3,204	3,331
Accruals and deferred income	5,359	5,546
	14,524	12,608

14. Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Not wholly repayable within five years:		
Class A secured fixed rate bonds at 6.735% repayable January 2029	154,506	156,743
Class B secured fixed rate bonds at 7.335% repayable January 2029	50,311	50,302
Class C secured fixed rate bonds at 11% repayable January 2029	9,774	13,889
	214,591	220,934
Less: included within creditors: amounts falling due within one year	(3,934)	(2,268)
	210,657	218,666
Amounts repayable:		
In one year or less, or on demand	3,988	2,300
In more than one year but not more than two years	4,668	3,988
In more than two years but not more than five years	15,144	14,561
	23,800	20,849
In more than five years	193,720	203,145
	217,520	223,994
Less: Unamortised issue costs	(2,929)	(3,060)
	214,591	220,934

On the 2 March 1998, the company performed a bond issue for £231 million. The issue costs of £3.3 million are being amortised over the life of the bonds at a constant rate on the carrying amount.

Interest and principal payments on the Class B Bonds will be subordinated to such payments on the Class A Bonds so that Class B Bondholders will not be entitled to receive any payment of interest or principal unless and until all amounts of interest due or overdue and principal then due to Class A Bondholders have been paid in full.

Interest and principal payments on the Class C Bonds will be subordinated to such payments on the Class B Bonds so that Class C Bondholders will not be entitled to receive any payment of interest or principal unless and until all amounts of interest due or overdue and principal then due to Class A Bondholders and Class B Bondholders have been paid in full.

During the year, the company repaid £4,175,160 (2002: £3,654,000) of the Class C secured fixed rate bonds and £2,299,520 (2002: £1,093,000) of the Class A secured fixed rate bonds.

Notes to the financial statements
at 31 December 2003

14. Creditors: amounts falling due after more than one year *(continued)*

As security for the payment of all monies due and payable in respect of the Bonds under the trust deed, Wellington Pub Company Plc (the issuer) has entered into a Deed of Charge creating inter alia the following security:

- A first fixed charge by way of legal mortgage of all estates and other interests of the issuer;
- An assignment by way of first fixed security of the issuer's right, title, interest and benefit in and to the rental income;
- An assignment by way of first fixed security of the issuer's right, title, interest and benefit in and to the Assigned Documents;
- An assignment by way of first fixed security of the issuer's right title, interest and benefit in and to all amounts from time to time standing to the credit of the Bank Accounts;
- A first floating charge over all of the property, assets and undertakings of the issuer.

15. Commitments under operating leases

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2003	*2002*
	£000	*£000*
Operating leases which expire:		
In over five years	210	192

16. Related party transactions

Wellington Pub Company plc was charged management fees of £759,988 (2002: £600,000) for the year by Wellington Investments Limited. As at 31 December 2003, the outstanding amount was £7,050 (2002: £100,000). The company recharged Wellington Investments administration costs of £16,782 during the year of which £8,871 was outstanding at year end; as was a balance of £480,000 for Corporation tax owed under Group relief (2002: £480,000).

The company was also recharged £27,497 (2002: £29,234) by Wellington Investments Limited for non-executive fees of B. Baldock. At the balance sheet date £7,000 (2002: £21,519) remained outstanding. The company was also charged £15,160 (2002: £15,250) for the year by Glasshouse Associates Limited for the fees of T A Teichman as non-executive director, £1,250 (2002: £5,040) remained outstanding at the balance sheet date.

During the year, the company was charged office costs of £425,000 by Sun Capital Partners Limited, of which £322,204 was recharged to Sun Capital Partners Limited (2002: £69,149) in respect of office administration costs, £81,300 remains outstanding from Sun Capital Partners Limited at 31 December 2003 (2002: £69,149). Sun Capital Partners Limited is a related party in that the companies have some common directors.

During the year, Wellington Pub Company plc was charged £2,486,008 (2002: £2,413,407) for management and administration fees by Criterion Asset Management Limited, a related party by virtue of the companies having some common directors. At the balance sheet date £433,687 (2002: £469,622) remained outstanding.

As at 31 December 2003 a balance of £nil (2002: £85,814) was owed to Capital Management Investments plc relating to office administration costs. Capital Management Investments plc is a related party in that the companies have some common directors.

Notes to the financial statements
at 31 December 2003

17. Share capital

	Authorised 2003 £	2002 £
Ordinary shares of £0.50 each	50,000	50,000
	50,000	50,000

	2003 No.	2003 £	Called up and fully paid 2002 No.	2002 £
Ordinary shares fully paid of £0.50 each	400	200	400	200

	2003 No.	2003 £	Called up and partly paid 2002 No.	2002 £
Ordinary shares partly paid of £0.50 each	99,600	12,450	99,600	12,450

The alloted share capital equalled 100,000 shares at £0.50 each, 400 shares which were fully paid and 99,600 shares which were partly paid at £0.125 each.

18. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	*Revaluation reserve £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
At 1 January 2002	13	22,776	8,536	31,325
Revaluation transfer	–	(190)	190	-
Retained profit for the year	–	–	6,881	6,881
At 31 December 2002	13	22,586	15,607	38,206
Surplus on revaluation of investment properties	–	151,889	–	151,889
Revaluation transfer	–	(291)	291	-
Retained profit for the year	–	–	4,008	4,008
At 31 December 2003	13	174,184	19,906	194,103

19. Ultimate parent company

The company's parent undertaking and controlling party is Wellington Investments Limited. The largest and smallest group of which the Company is a member and for which group accounts are drawn up is that of Wellington Investments Limited. Copies of the group accounts are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

20. Post balance sheet events

A decision was made post year end to sell the company's investment in the entire share capital of Wellesley Capital Investment Limited at book value to Wellington Investments Limited, a fellow group company.