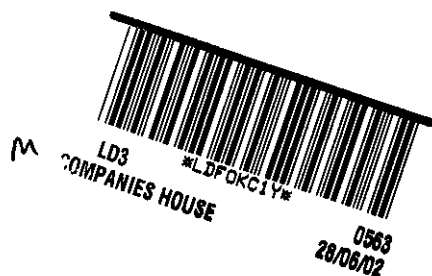


H SMITH & DAUGHTERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2001



H SMITH & DAUGHTERS LIMITED

COMPANY INFORMATION

Directors	H T Smith P C Rose
Secretary	S C Stedman
Company number	3605830
Registered office	Johnston House 8 Johnston Road Woodford Green Essex IG8 0XA
Auditors	Haslers Johnston House 8 Johnston Road Woodford Green Essex IG8 0XA
Business address	Copper House 88 Snakes Lane East Woodford Green Essex IG8 7HX

H SMITH & DAUGHTERS LIMITED

CONTENTS

	Page
Directors' report	1
Independent auditors' report	2
Profit and loss account	3
Balance sheet	4
Notes to the financial statements	5 - 8

H SMITH & DAUGHTERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2001

The directors present their report and financial statements for the year ended 31 August 2001.

Principal activities

The principal activity of the company continued to be that of property rental and property development.

Directors

The following directors have held office since 1 September 2000:

H T Smith
P C Rose

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of £ 1 each	
	31 August 2001	1 September 2000
H T Smith	-	-
P C Rose	-	-

The director's interest in the holding company, H Smith Holdings Limited, may be found in the accounts of that company.

Auditors

Haslers were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Directors' responsibilities

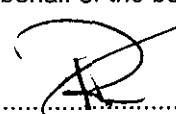
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

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

On behalf of the board


.....
P C Rose

Director

27/06/02

H SMITH & DAUGHTERS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF H SMITH & DAUGHTERS LIMITED

We have audited the financial statements of H Smith & Daughters Limited on pages 3 to 8 for the year ended 31 August 2001. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant 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 August 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Haslers

27/06/02

Chartered Accountants
Registered Auditor

Johnston House
8 Johnston Road
Woodford Green
Essex IG8 0XA

H SMITH & DAUGHTERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2001

		Year ended 31 August 2001 £	Period 31 August 2000 £
	Notes		
Turnover		360,115	4,667
Cost of sales		(254,158)	(3,200)
Gross profit		105,957	1,467
Administrative expenses		(17,054)	(7,448)
Operating profit/(loss)	2	88,903	(5,981)
Interest payable and similar charges		(28,791)	(18,933)
Profit/(loss) on ordinary activities before taxation		60,112	(24,914)
Tax on profit/(loss) on ordinary activities	3	(10,500)	4,985
Profit/(loss) on ordinary activities after taxation	10	49,612	(19,929)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

H SMITH & DAUGHTERS LIMITED

BALANCE SHEET AS AT 31 AUGUST 2001

	Notes	2001 £	£	2000 £	£
Fixed assets					
Tangible assets	4 and 5		336,732		208,403
Current assets					
Stocks		263,823		-	
Debtors	6	28,684		201	
Cash at bank and in hand		19,609		-	
		<u>312,116</u>		<u>201</u>	
Creditors: amounts falling due within one year	7	<u>(59,710)</u>		<u>(129,811)</u>	
Net current assets/(liabilities)			252,406		(129,610)
Total assets less current liabilities			589,138		78,793
Creditors: amounts falling due after more than one year	8	<u>(571,892)</u>		<u>(111,159)</u>	
		<u>17,246</u>		<u>(32,366)</u>	
Capital and reserves					
Called up share capital	9		2		2
Profit and loss account	10		17,244		(32,368)
Shareholders' funds			<u>17,246</u>		<u>(32,366)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements were approved by the Board on 27th June 2002


P C Rose
Director

H SMITH & DAUGHTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2001

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment 33.3% Straight Line basis

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

1.4 Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value.

2	Operating profit/(loss)	2001 £	2000 £
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible assets	1,069	-
	Auditors' remuneration	2,116	500
		<u> </u>	<u> </u>
3	Taxation	2001 £	2000 £
	U.K. current year taxation		
	U.K. corporation tax at 22% (2000- 20%)	10,500	-
	Receipt in respect of group relief	-	(4,985)
		<u> </u>	<u> </u>
		10,500	(4,985)
		<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2001

4 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 September 2000	-
Additions	5,500
	<hr/>
At 31 August 2001	5,500
	<hr/>
Depreciation	
At 1 September 2000	-
Charge for the year	1,069
	<hr/>
At 31 August 2001	1,069
	<hr/>
Net book value	
At 31 August 2001	4,431
	<hr/> <hr/>

5 Investment Properties

	Investment properties £
Cost	
At 1 September 2000	208,403
Additions	123,898
	<hr/>
At 31 August 2001	332,301
	<hr/> <hr/>

The directors consider the costs of properties to be their open market value at the financial year end.

6 Debtors	2001 £	2000 £
Trade debtors	986	-
Amounts owed by group undertakings and undertakings in which the company has a participating interest	27,198	-
Other debtors	500	201
	<hr/>	<hr/>
	28,684	201
	<hr/> <hr/>	<hr/> <hr/>

H SMITH & DAUGHTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2001

7 Creditors: amounts falling due within one year	2001	2000
	£	£
Bank loans and overdrafts	22,556	8,486
Trade creditors	3,398	8,900
Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	78,381
Taxation and social security	11,808	-
Other creditors	21,948	34,044
	<u>59,710</u>	<u>129,811</u>

The bank loan is secured by a first legal charge over the investment properties and the stock.

8 Creditors: amounts falling due after more than one year	2001	2000
	£	£
Bank loans	<u>571,892</u>	<u>111,159</u>
Analysis of loans		
Not wholly repayable within five years by instalments	70,543	-
Wholly repayable within five years	<u>523,905</u>	<u>119,499</u>
	594,448	119,499
Included in current liabilities	<u>(22,556)</u>	<u>(8,340)</u>
	<u>571,892</u>	<u>111,159</u>
Instalments not due within five years	<u>70,543</u>	<u>-</u>

9 Share capital	2001	2000
	£	£
Authorised		
5,000,000 Ordinary Shares of £ 1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
2 Ordinary Shares of £ 1 each	<u>2</u>	<u>2</u>

H SMITH & DAUGHTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2001

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 September 2000	(32,368)
Retained profit for the year	49,612
Balance at 31 August 2001	<u>17,244</u>

11 Transactions with directors

The director H T Smith has given a personal guarantee in the sum of £350,000 in the favour of Natwest Bank Plc.

12 Control

The ultimate parent company is H Smith Holdings Limited a company incorporated in England & Wales.

The ultimate controlling party is H T Smith by virtue of his beneficial interest in the trust which owns the ultimate holding company.

13 Related party transactions

During the year the following related parties existed. At the year end the amounts owed to or by the company were interest free.

Aitch Construction Limited	H T Smith is a director and beneficial shareholder
Aitch Holdings Limited	H T Smith is a director and beneficial shareholder
H Smith Holdings Limited	Parent Company
H T Smith FURBS	H T Smith is a beneficiary
Ridley Villas Limited	H T Smith is a beneficial shareholder

	2001		2000	
	Sales (Purchases) £	Debtor (Creditor) £	Sales (Purchases) £	Debtor (Creditor) £
Aitch Construction Limited	(704)	-	(7,574)	(8,900)
Aitch Holdings Limited	-	(3,010)	-	(15)
H Smith Holdings Limited	-	27,198	-	(78,381)
H T Smith FURBS	-	-	-	(18,855)
Ridley Villas Limited	-	-	-	(9,443)