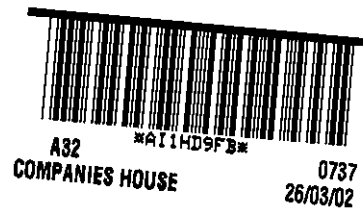


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No.4090667

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST OCTOBER 2001
FOR
ANGEL GROUP PLC**



ANGEL GROUP PLC

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

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ANGEL GROUP PLC
COMPANY INFORMATION
FOR THE PERIOD ENDED 31ST OCTOBER 2001

DIRECTORS: J A Davey
Valeshaw Limited

SECRETARY: K Lavanchy

REGISTERED OFFICE: 39 Newell Road
Hemel Hempstead
Hertfordshire
HP3 9PB

REGISTERED NUMBER: 4090667 (England and Wales)

AUDITORS: Carlton Baker Clarke Limited
Chartered Certified Accountants
and Registered Auditors
Greenwood House
New London Road
Chelmsford, Essex.
CM2 0PP

ANGEL GROUP PLC
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 31ST OCTOBER 2001

The directors present their report with the financial statements of the company and the group for the period ended 31st October 2001.

INCORPORATION

The company was incorporated on 16th October 2000 as Angel Holdings (UK) Limited and changed its name to Angel Group PLC on 19th October 2001. The company was re-registered as Angel Group PLC on 19th December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the group in the period under review were:-

- Property development and refurbishment
- Provision of accommodation and related services for vulnerable and disadvantaged social groups

REVIEW OF BUSINESS

Angel Group PLC is well established in the field of property acquisition and development. The group's experience and keen purchasing policies have produced the levels of profitability predicted.

The cumulative increase in the value of group properties and reserves provide a sound and secure base for continued success and stability.

Group policy is to reinvest in quality property and in the development of essential best practices, including extensive staff training and staff benefit schemes.

Angel Group PLC is fully committed to the needs of the vulnerable groups for whom it provides accommodation. The group continues to make regular substantial charitable contributions.

DIVIDENDS

A dividend of £500,000 was paid during the period.

DIRECTORS

The directors were as follows:

J A Davey (Appointed 16.10.2000)
Valeshaw Limited (Appointed 19.12.2001)
Bloomsbury Directors Ltd (Resigned 16.10.2000)

The beneficial interests of the directors at 31st October 2001 in the issued share capital of the company were as follows:

	31.10.01
J.A Davey	100,000
Valeshaw Limited	1

ANGEL GROUP PLC

**REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

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

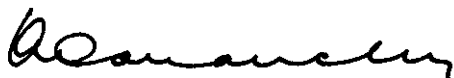
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 her 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.

AUDITORS

The auditors, Carlton Baker Clarke Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



K Lavanchy - SECRETARY

Dated: 12th March 2002

ANGEL GROUP PLC

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ANGEL GROUP PLC**

We have audited the financial statements of Angel Group PLC for the period ended 31st October 2001 on pages five to seventeen. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page three the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

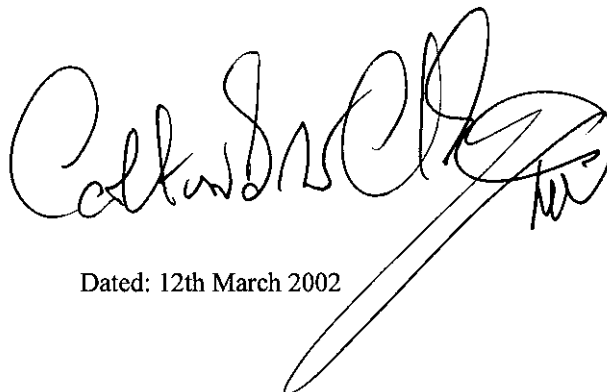
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 group and the company's affairs as at 31st October 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Carlton Baker Clarke Limited
Chartered Certified Accountants
and Registered Auditors
Greenwood House
New London Road
Chelmsford, Essex.
CM2 0PP

A large, stylized handwritten signature in black ink, likely belonging to a representative of Carlton Baker Clarke Limited, is written over the date.

Dated: 12th March 2002

ANGEL GROUP PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31ST OCTOBER 2001

		31.10.01 £
	Notes	
TURNOVER		15,263,381
Cost of sales		<u>8,423,479</u>
GROSS PROFIT		6,839,902
Administrative expenses		<u>1,833,262</u>
		5,006,640
Other operating income		<u>43,512</u>
OPERATING PROFIT	3	5,050,152
Interest receivable and similar income		<u>37,698</u>
		5,087,850
Interest payable and similar charges	4	<u>210,468</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,877,382
Tax on profit on ordinary activities	5	<u>1,458,932</u>
PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION		3,418,450
Dividends	6	<u>500,000</u>
RETAINED PROFIT FOR THE PERIOD		<u>£2,918,450</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period.

The notes form part of these financial statements

ANGEL GROUP PLC

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

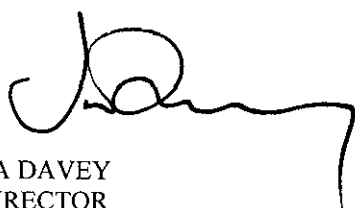
	31.10.01
	£
PROFIT FOR THE FINANCIAL PERIOD	3,418,450
Unrealised surplus on revaluation of freehold land and buildings	<u>4,841,556</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	<u>£8,260,006</u>

The notes form part of these financial statements

ANGEL GROUP PLC
CONSOLIDATED BALANCE SHEET
31ST OCTOBER 2001

	Notes	31.10.01 £	£
FIXED ASSETS:			
Tangible assets	7		13,664,805
CURRENT ASSETS:			
Stocks	8	2,235	
Debtors	9	3,220,649	
Cash at bank and in hand		<u>3,264,271</u>	
		6,487,155	
CREDITORS:			
Amounts falling due within one year	10	<u>5,685,474</u>	
NET CURRENT ASSETS:			<u>801,681</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			14,466,486
CREDITORS:			
Amounts falling due after more than One year	11	<u>6,282,378</u>	
		<u>£8,184,108</u>	
CAPITAL AND RESERVES:			
Called up share capital	14		100,001
Revaluation reserve	15		4,841,556
Profit and loss account	15		<u>3,242,551</u>
SHAREHOLDERS' FUNDS:	17		<u>£8,184,108</u>

ON BEHALF OF THE BOARD:



J A DAVEY
DIRECTOR

Approved by the Board on 12th March 2002

The notes form part of these financial statements

ANGEL GROUP PLC
PARENT COMPANY BALANCE SHEET
31ST OCTOBER 2001

	Notes	31.10.01 £	£
FIXED ASSETS:			
Investments	7		52,396
CURRENT ASSETS:			
Debtors	9	10,255,044	
Cash at bank and in hand		<u>156,102</u>	
		10,411,146	
CREDITORS:			
Amounts falling due within one year	10	<u>2,122,440</u>	
NET CURRENT ASSETS:			<u>8,288,706</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			8,341,102
CREDITORS:			
Amounts falling due after more than one year	11	<u>6,241,101</u>	
		<u>2,100,001</u>	
CAPITAL AND RESERVES:			
Called up share capital	14		100,001
Profit and loss account	15		<u>2,000,000</u>
SHAREHOLDERS' FUNDS:	17		<u>2,100,001</u>
ON BEHALF OF THE BOARD:			


J A DAVEY
DIRECTOR

Approved by the Board on 12th March 2002

The notes form part of these financial statements

ANGEL GROUP PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

	Notes	31.10.01	
		£	£
Net cash inflow from operating activities	1		4,645,272
Returns on investments and servicing of finance	2		(172,770)
Capital expenditure	2		(9,054,264)
Equity dividends paid			<u>(500,000)</u>
			(5,081,762)
Financing	2		<u>424,102</u>
Decrease in cash in the period			<u>£4,657,660</u>

**Reconciliation of net cash flow
to movement in net debt**

	3		
Increase in cash in the period		3,264,271	
Cash inflow from increase in debt and lease financing		<u>(7,921,931)</u>	
Change in net debt resulting from cash flows			<u>£(4,657,660)</u>

The notes form part of these financial statements

ANGEL GROUP PLC

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.10.01
	£
Operating profit after taxation	3,591,220
Depreciation charges	227,570
Loss on sale of fixed assets	3,445
Increase in stocks	(2,235)
Increase in debtors	(3,220,649)
Increase in creditors	<u>4,045,921</u>
Net cash inflow from operating activities	<u>4,645,272</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.10.01
	£
Returns on investments and servicing of finance	
Interest received	37,698
Interest paid	<u>(210,468)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(172,770)</u>
Capital expenditure	
Purchase of tangible fixed assets	(9,063,264)
Sale of tangible fixed assets	<u>9,000</u>
Net cash outflow for capital expenditure	<u>(9,054,264)</u>
Financing	
Opening Reserves of Acquired subsidiaries	424,097
Shares issued for cash	1
Shares issued for acquisition	50,000
Less: Goodwill in consolidation	<u>(49,996)</u>
	<u>424,102</u>

The notes form part of these financial statements

ANGEL GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31ST OCTOBER 2001

3. ANALYSIS OF CHANGES IN NET DEBT

	Cash flow £
Net cash:	
Cash at bank and in hand	3,264,271
Bank Loans	<u>(7,861,522)</u>
	<u>(4,597,251)</u>
Debt:	
Hire purchase	<u>(60,409)</u>
	<u>(60,409)</u>
Total	<u>(4,657,660)</u>
Analysed in Balance Sheet	
Cash at bank and in hand	3,264,271
Hire purchase	
within one year	(19,132)
after one year	(41,277)
Bank Loans	
within one year	(1,620,421)
after one year	<u>(6,241,101)</u>
	<u>(4,657,660)</u>

The notes form part of these financial statements

ANGEL GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST OCTOBER 2001

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Basis of consolidation

The group accounts consolidate the accounts of Angel Group PLC and all its subsidiary undertakings. No profit and loss account is presented for Angel Group PLC as permitted by Section 230 of the Companies Act 1985.

Turnover

Turnover represents net invoiced services, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 10% on cost
Motor vehicles	- 25% on reducing balance
Computer equipment	- 25% on reducing balance

In view of the revaluation in October 2001, depreciation is not provided on Freehold Property in this accounting period. The directors will be applying depreciation, on the proportion of value attributable to buildings, in the future. The rate will reflect the useful economic life of the buildings.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Goodwill

Goodwill arising in consolidation is written off to reserves in the year.

2. STAFF COSTS

Staffing costs are generally dealt with through the group service company, Angel Services (UK) Limited and allocated appropriately to group companies.

The average number of employees during the period was 176.

ANGEL GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

3. OPERATING PROFIT

The operating profit is stated after charging:

	Group £	Parent Co £
Equipment hire	5,102	-
Depreciation - owned assets	157,389	-
Loss on disposal of fixed assets	3,445	-
Auditors remuneration	<u>60,921</u>	<u>-</u>
Directors' emoluments	<u>250,000</u>	<u>-</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Group £	Parent Co £
Bank interest	206,546	-
Other interest	1,062	-
Hire purchase	<u>2,860</u>	<u>-</u>
	<u>210,468</u>	<u>-</u>

5. TAXATION

The tax charge on the profit on ordinary activities for the period was as follows:

	Group £	Parent Co £
UK corporation tax	<u>1,458,932</u>	<u>-</u>

6. DIVIDENDS

	Group £	Parent Co £
Equity shares: Final dividend	<u>500,000</u>	<u>500,000</u>

7. TANGIBLE FIXED ASSETS

GROUP	Freehold property £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION:					
Additions (at revaluation)	13,158,174	527,995	265,973	52,678	14,004,820
Revaluations/Disposals	<u>(100,000)</u>	<u>-</u>	<u>(29,500)</u>	<u>-</u>	<u>(129,500)</u>
At 31st October 2001	<u>13,058,174</u>	<u>527,995</u>	<u>236,473</u>	<u>52,678</u>	<u>13,875,320</u>
DEPRECIATION:					
Charge for period	-	124,761	80,131	22,678	227,570
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(17,055)</u>	<u>-</u>	<u>(17,055)</u>
At 31st October 2001	<u>-</u>	<u>124,761</u>	<u>63,076</u>	<u>22,678</u>	<u>210,515</u>
NET BOOK VALUE:					
At 31st October 2001	<u>13,058,174</u>	<u>403,234</u>	<u>173,397</u>	<u>30,000</u>	<u>13,664,805</u>

ANGEL GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST OCTOBER 2001

7. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31st October 2001 is represented by:

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
Valuation in 2001	4,135,740	-	-	-	4,135,740
Valuation in 2000	705,816	-	-	-	705,816
Cost	<u>8,216,618</u>	<u>527,995</u>	<u>236,473</u>	<u>52,678</u>	<u>9,033,674</u>
	<u>13,058,174</u>	<u>527,995</u>	<u>236,473</u>	<u>52,678</u>	<u>13,875,320</u>

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

	Group £	Parent Co £
Cost	<u>8,216,618</u>	-

Freehold Land and Buildings were revalued on an open market basis in October 2001 by Messrs. Lambert, Smith Hampton

Parent Company

Investments

£
52,396

Investments of the parent company comprise the group as follows:-

4 shares in Angel (London) Ltd (100%)	50,000	By share issue
998 shares in Angel Heights Developments (99.8%)	998	
998 shares in Angel Heights (Newcastle) Ltd (99.8%)	998	
100 shares in Angel Wakefield Ltd (100%)	100	
100 shares in Angel Sheffield Ltd (100%)	100	
100 shares in Fieldmere Ltd (100%)	100	
100 shares in Bromvale Ltd (100%)	100	
	<u>52,396</u>	

For group purposes, it should be noted that Angel (London) Ltd owns 2 shares in Angel Heights Developments) Ltd and 2 shares in Angel Heights (Newcastle) Ltd and 100 shares in Angel Services (UK) Ltd thus all group companies are 100% owned overall.

8. STOCKS

	Group £	Parent Co £
Stocks	<u>2,235</u>	-

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Parent Co £
Trade debtors	1,759,867	-
Other debtors	344,469	-
Group undertakings	-	10,255,044
Prepayments	<u>1,116,313</u>	-
	<u>3,220,649</u>	<u>10,255,044</u>

ANGEL GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Parent Co £
Bank loans and overdrafts (see note 12)	1,620,421	1,620,399
Hire purchase contracts	19,132	-
Trade creditors	687,782	-
Directors loan accounts	501,641	501,641
Group undertakings	-	400
Other creditors	123,242	-
Taxation	1,458,932	-
Social security and other taxes	606,543	-
Accrued expenses	<u>667,781</u>	<u>-</u>
	<u>5,685,474</u>	<u>2,122,440</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group £	Parent Co £
Bank loans (see note 12)	6,241,101	6,241,101
Hire purchase contracts	<u>41,277</u>	<u>-</u>
	<u>6,282,378</u>	<u>6,241,101</u>

12. LOANS

An analysis of the maturity of loans is given below:

	Group £	Parent Co £
Amounts falling due within one year or on demand:		
Bank loans - less than 1 year	<u>1,620,421</u>	<u>1,620,399</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>1,697,129</u>	<u>1,697,129</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>4,543,972</u>	<u>4,543,972</u>

ANGEL GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST OCTOBER 2001**

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £	Parent Co £
Potential deferred taxation		
In respect of revaluation of freehold property	1,456,967	-
Accelerated capital allowances	<u>-</u>	<u>-</u>
	<u>1,456,967</u>	<u>-</u>

No provision is made for this potential liability as in the directors' opinion the liability is unlikely to crystallise in the foreseeable future.

14. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal £	Group	Parent Co
value:	£			
1,000,000	Ordinary	£1	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal £	Group	Parent Co
value:	£			
100,001	Ordinary	£1	<u>100,001</u>	<u>100,001</u>

15. GROUP RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
Revaluation in 2000	-	705,816	705,816
Revaluation in 2001	-	4,135,740	4,135,740
Retained Profit for the period	2,918,450		2,918,450
Bonus issue of shares	(50,000)	-	(50,000)
Subsidiary opening revenue reserves	424,097	-	424,097
Goodwill on consolidation	<u>(49,996)</u>	<u>-</u>	<u>(49,996)</u>
At 31st October 2001	<u>3,242,551</u>	<u>4,841,556</u>	<u>8,084,107</u>

PARENT COMPANY RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
Profit for the period	2,050,000		2,050,000
Bonus issue of shares	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
At 31st October 2001	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>

ANGEL GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST OCTOBER 2001

16. RELATED PARTY DISCLOSURES

The Group and the company are controlled by J A Davey. Inter group transactions are eliminated on consolidation and detailed in subsidiary company accounts.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £	Parent Co £
Profit for the financial period after taxation	3,418,450	2,550,000
Dividends	(500,000)	(500,000)
	2,918,450	2,050,000
Other recognised gains and losses relating to the period (net)	4,841,556	-
Issue of share capital	50,001	50,001
Opening revenue reserves of subsidiaries acquired	424,097	-
Goodwill on consolidation	(49,996)	-
Net addition to shareholders' funds	8,184,108	2,100,001
Opening shareholders' funds	-	-
Closing shareholders' funds	8,184,108	2,100,001
Equity interests	8,184,108	2,100,001

18. BANK BORROWING

Group bank borrowing is secured through inter- group guarantees on all group companies and a charge over freehold properties.

19. CONTINGENT LIABILITIES

In respect of the subsidiary company Angel Heights (Newcastle) Ltd there is a contingent liability to the original owner (Secretary of State for Health) in connection with a freehold property acquired from same. This liability does not crystallise unless the property is sold for a profit before February 2005. In the event of crystallisation, a sum which cannot yet be quantified (but is considered unlikely to exceed £500,000) is payable, in respect of a proportion of any profit realised. The company currently has no intention of selling the property and as such has not made any provision for this liability.