

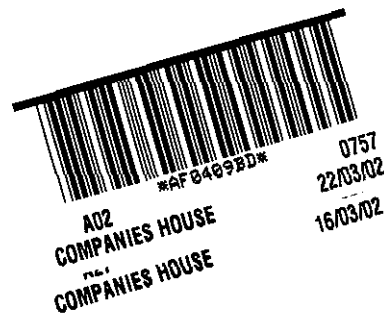
**Interim accounts in
support of forthcoming
dividend payment only.**

**NOT FINAL
ACCOUNTS**

PAVILION GEARED RECOVERY TRUST PLC

INITIAL ACCOUNTS

QUARTER ENDED 31 JANUARY 2002



COMPANY NUMBER: 4266460

Statement of Directors' responsibilities in respect of the accounts of Pavilion Geared Recovery Trust plc

Company law requires the Directors to prepare accounts 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 accounts, the Directors are required to:

- * select suitable accounting policies which are consistently applied and supported by reasonable and prudent judgements and estimates;
- * state whether the accounts have been prepared in accordance with applicable accounting standards and disclose particulars of any material departure from those standards and the reasons for it; and
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining 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 accounts comply with the relevant provisions of 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' report to the Directors of Pavilion Geared Recovery Trust plc under section 273(4) of the Companies Act 1985

We have audited the initial accounts of Pavilion Geared Recovery Trust plc on pages 3 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 6 and 7.

Respective responsibilities of Directors and Auditors

As described on page 1 the Directors are responsible for the preparation of the initial accounts. It is our responsibility to form an independent opinion, based on our audit, of those initial accounts and to report our opinion to you.

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 initial accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the initial accounts, 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 initial accounts are free from material misstatement, whether caused by fraud or by other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the initial accounts.

Opinion

In our opinion the initial accounts for the period from 15 August 2001 to 31 January 2002 have been properly prepared within the meaning of section 273 of the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Auditors
Chartered Accountants

20 February 2001

PAVILION GEARED RECOVERY TRUST PLC

STATEMENT OF TOTAL RETURN
(incorporating the revenue account*)

Period ended
31 January 2002

	Notes	Revenue * £	Capital £	Total £
Losses on investments	11	-	(6,528,433)	(6,528,433)
Income	2	1,743,137	-	1,743,137
Investment management fee	3	(113,712)	(113,711)	(227,423)
Other expenses	4	(116,888)	-	(116,888)
Return on ordinary activities before finance costs and before taxation		1,512,537	(6,642,144)	(5,129,607)
Interest payable and similar charges	6	(209,477)	(209,477)	(418,954)
Return on ordinary activities before taxation		1,303,060	(6,851,621)	(5,548,561)
Taxation on ordinary activities	7	-	-	-
Return on ordinary activities after taxation for the financial period		1,303,060	(6,851,621)	(5,548,561)
Appropriations in respect of non-equity shares: - Zero Dividend Preference	8	-	(631,286)	(631,286)
Return attributable to equity shares		1,303,060	(7,482,907)	(6,179,847)
Dividends in respect of equity shares	9	(1,200,000)	-	(1,200,000)
Transfer to/(from) reserves after aggregate dividends proposed of £1,200,000		103,060	(7,482,907)	(7,379,847)
		Revenue pence	Capital pence	Total pence
Return per Ordinary Income share	10	4.34	(24.94)	(20.60)
Return per Zero Coupon Preference share	10	-	4.21	4.21

The notes on pages 6 to 12 form part of these accounts.

*The revenue column of this statement is the revenue account of Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the period.

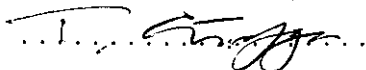
PAVILION GEARED RECOVERY TRUST PLC

BALANCE SHEET

	Notes	As at 31 January 2002 £
Fixed assets		
Investments	11	50,832,566
Current assets		
Debtors	12	733,536
Cash at bank		1,288,645
		2,022,181
Creditors - amounts falling due within one year		
Creditors	13	975,635
		975,635
Net current assets		1,046,546
Total assets less current liabilities		51,879,112
Creditors - amounts falling due after more than one year		
	14	14,972,122
Net assets		36,906,990
Capital and reserves		
Called up share capital	16	450,000
Share premium account	17	-
Special Reserve	17	43,205,551
Redemption reserve	17	631,286
Capital reserve	17	(7,482,907)
Revenue reserve	17	103,060
Equity and non-equity shareholders' funds	18	36,906,990
Analysis between equity and non-equity interests:		
Equity		21,723,854
Non-equity		15,183,136
		36,906,990
Net asset value per Ordinary Income share	20	70.63
Net asset value per Zero Dividend Preference share	20	104.09

The notes on pages 6 to 12 form part of these accounts.

These accounts were approved by the Board of Directors on 20 February 2002 and were signed on its behalf by:

 ~~Trevor~~ Trevor Trefgarne - Chairman

PAVILION GEARED RECOVERY TRUST PLC

STATEMENT OF CASH FLOWS

Period ended
31 January 2002

	Notes	£
Operating activities		
Investment income received		1,359,263
Bank deposit interest received		152,281
Investment management fee paid		(103,324)
Secretarial fee paid		(27,170)
Other cash payments		(55,893)
Net cash inflow from operating activities	21	<u>1,325,157</u>
Returns on investments and servicing of finance		
Interest paid		<u>(249,050)</u>
Net cash outflow from return on investments and servicing of finance		<u>(249,050)</u>
Taxation		
Income tax recovered		<u>-</u>
Total tax recovered		<u>-</u>
Capital expenditure and financial investment		
Purchases of investments		(76,302,596)
Sales of investments		<u>18,449,583</u>
Net cash outflow from financial investments		<u>(57,853,013)</u>
Equity dividends paid		<u>(600,000)</u>
Management of liquid resources		
Decrease in short term deposits		<u>-</u>
Net cash outflow before financing resources and financing		<u>(57,376,906)</u>
Financing		
Loan proceeds		14,970,000
Proceeds of issue of shares		45,000,000
less issue costs		<u>(1,304,449)</u>
Net cash inflow before and after use of liquid resources and financing		<u>1,288,645</u>
Increase in cash	22	<u>1,288,645</u>

The notes on pages 6 to 12 form part of these accounts.

**NOTES TO THE ACCOUNTS
AS AT 31 JANUARY 2002**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are the Company's initial accounts, as defined under section 270 of the Companies Act 1985. The accounts are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and are prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies. As this is the first period since incorporation there are no comparative figures.

Income recognition

- (i) Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends are accounted for excluding associated tax credits.
- (ii) Dividends receivable on equity shares where no ex-dividend is quoted are brought into account when the Company's right to receive payment is established.
- (iii) Underwriting commission is included in income in so far as it relates to shares the Company is not required to take up. Where the Company is required to take up shares underwritten the commission received is treated as a deduction from the cost of the shares.
- (iv) Other income is accounted for on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis. All expenses are charged through the revenue account in the statement of total return except as follows:

- * expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- * expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- * expenses are charged to capital reserve (realised) where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In respect of the investment management fee and finance costs, 50% has been allocated to capital reserve (realised) and 50% to revenue in the statement of total return, being in line with the Boards expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

Investments

Listed investments are included in the accounts at middle-market value at the close of business at the period end. Interest accrued on fixed interest rate securities at the date of the purchase or sale is accounted for separately, as accrued income or as an income receipt so that the value or purchase price or sale price is shown net of such items.

Taxation

The charge for taxation is based on the revenue before taxation for the period. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in the tax computations in periods different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

**NOTES TO THE ACCOUNTS
AS AT 31 JANUARY 2002**

Capital reserves

Capital reserve (realised)

The following are accounted for in this reserve:

* gains and losses on the realisation of the investments.

* expenses, together with related taxation effect, charged to this account in accordance with the above policies.

Capital reserve (unrealised)

The following are accounted for in this reserve:

* increases and decreases in the valuation of the investments held at the period end.

Finance costs attributable to Zero Dividend Preference shares

The Directors have allocated 100% of the finance costs relating to the Zero Dividend Preference shares to capital. Accordingly, a redemption reserve has been set up to provide for the repayment entitlements attached to the Zero Dividend Preference shares which accrue on a monthly basis to the date of the Company's winding up on 15 August 2007. These shares are entitled to repayment of 100 pence initially on winding up, increasing on a monthly basis by approximately 8.99% per annum compounded annually.

2. INCOME

**Period ended
31 January 2002
£**

Income from investments

UK net dividend income	1,303,667
Unfranked investment income	283,200
	<u>1,586,867</u>

Other income

Bank interest receivable	156,270
	<u>156,270</u>

Total income

1,743,137

Total income comprises:

Dividends	1,586,867
Interest	156,270
	<u>1,743,137</u>

Income from investments:

Listed UK	1,303,667
Listed overseas	283,200
	<u>1,586,867</u>

3. INVESTMENT MANAGEMENT FEE

**Period ended
31 January 2002**

	Revenue	Capital	Total
	£	£	£
Investment management fee	96,776	96,775	193,551
Irrecoverable VAT thereon	16,936	16,936	33,872
	<u>113,712</u>	<u>113,711</u>	<u>227,423</u>

NOTES TO THE ACCOUNTS
AS AT 31 JANUARY 2002

4. OTHER EXPENSES

Period ended
31 January 2002

	Revenue	Capital	Total
	£	£	£
Secretarial services	33,045	-	33,045
Auditors' remuneration for:			
audit	17,625	-	17,625
other	-	-	-
Directors' fees	21,734	-	21,734
Other	44,484	-	44,484
	<u>116,888</u>	<u>-</u>	<u>116,888</u>

All expenses disclosed above have been allocated in accordance with the accounting policies on page 4.

In addition £40,000 was paid to the auditors for non audit services provided in connection with the issue of shares.

These costs have been charged to the share premium account.

5. DIRECTORS' REMUNERATION

Period ended
31 January 2002

	£
Total fees	<u>21,734</u>
Remuneration to Directors	
The Hon T Trefgarne	7,217
C Jones	4,839
R Clinton	4,839
J Rickards	<u>4,839</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

Period ended
31 January 2002

	Revenue	Capital	Total
	£	£	£
On Loan	208,416	208,416	416,832
Amortisation of issue costs of bank loan	1,061	1,061	2,122
	<u>209,477</u>	<u>209,477</u>	<u>418,954</u>

7. TAXATION

Period ended
31 January 2002

	Revenue	Capital	Total
	£	£	£
Based on the profits for the year:			
Corporation Tax	-	-	-
Allocation of tax relief on expenses charged to capital	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

8. APPROPRIATIONS IN RESPECT OF NON-EQUITY SHARES

Period ended
31 January 2002

	£
Appropriations for premium payable on redemption of Zero Dividend Preference shares	<u>631,286</u>

9. DIVIDENDS PAID AND DECLARED

Period ended
31 January 2002

	£
Per Ordinary Income share	
First interim paid of 2.00p net	600,000
Second interim proposed of 2.00p net	600,000
	<u>1,200,000</u>

**NOTES TO THE ACCOUNTS
AS AT 31 JANUARY 2002**

10. RETURN PER SHARE

Ordinary Income shares

Basic revenue return per Ordinary Income share is based on the net revenue on ordinary activities after taxation of £1,303,060 and on 30,000,000 Ordinary Income shares, being the number of Ordinary Income shares in issue during the period

The capital return per Ordinary Income share is based on the net capital losses for the period of £7,482,907 and on 30,000,000 Ordinary Income shares, being the number of Ordinary Income shares in issue during the period.

Zero Dividend Preference shares

Basic return per Zero Dividend Preference share is based on an annualised gross redemption yield of 8.99%.

11. INVESTMENTS

	As at 31 January 2002 £
Equities listed on a recognised international exchange	50,832,566
	Total
	£
Opening book cost	-
Opening unrealised appreciation	-
Opening valuation	-
Movements in the period:	
Purchases at cost	76,302,596
Sales	
- proceeds	(18,941,597)
- realised losses on sales	(585,749)
Decrease in unrealised appreciation	(5,942,684)
Closing valuation	50,832,566
Closing book cost	56,775,250
Closing unrealised depreciation	(5,942,684)
	50,832,566
	Period ended 31 January 2002 £
Realised losses on sales	(585,749)
Decrease in unrealised appreciation	(5,942,684)
Losses on investments	(6,528,433)

**NOTES TO THE ACCOUNTS
AS AT 31 JANUARY 2002**

**12. DEBTORS- amounts falling due
within one year**

Sales for future settlement
Dividends receivable
Taxation recoverable
Prepayments and accrued income

As at 31 January 2002
£
492,014
227,604
-
13,918
<u>733,536</u>

**13. CREDITORS - amounts falling due
within one year**

Purchases for future settlement
Corporation tax
Interest
Other creditors
Dividends proposed - Ordinary

As at 31 January 2002
£
-
-
167,782
207,853
600,000
<u>975,635</u>

**14. CREDITORS - amounts falling due
after more than one year**

Loan - Bank of Scotland

As at 31 January 2002
£
<u>14,972,122</u>

The loan is repayable on 14 August 2007 and is secured on the assets of the Company. Interest is payable on the loan at an annual fixed rate of interest, currently 6.585%.

15. PROVISION FOR LIABILITIES AND CHARGES

No provision for liabilities and charges is considered necessary at the Company's period end. There were no amounts unprovided in respect of deferred taxation.

16. CALLED UP SHARE CAPITAL

Authorised:
45,000,000 Ordinary Income shares of 1p each
25,000,000 Zero Dividend Preference shares of 1p each

As at 31 January 2002
£
450,000
250,000
<u>700,000</u>

Allotted, issued and fully paid:
30,000,000 Ordinary Income shares of 1p each
15,000,000 Zero Dividend Preference shares of 1p each

300,000
150,000
<u>450,000</u>

Zero Dividend Preference shares

The Zero Dividend Preference shares have no right to any income available for distribution but have a preferential entitlement, on a predetermined growth basis, to the available assets at the Company's winding-up date. The Zero Dividend Preference shares were issued at 100p each on 15 August 2001 and will have a final entitlement of 167.74p each on 15 August 2007.

The Zero Dividend Preference shares do not carry any rights to vote at an annual general meeting conducting normal business as laid down by the Company's Articles of Association. However where resolutions are proposed which affect their interests in any way, at either an Annual or an Extraordinary General Meeting, they will be entitled to participate either in that meeting or at a separate class meeting, depending on the circumstances.

Ordinary Income shares

In addition to receiving the income distributed, the Ordinary Income shareholders will be entitled to any balances on the revenue reserve at the winding-up date, together with the assets of the Company remaining after payment of the Zero Dividend Preference shareholders' entitlement. The Ordinary Income shareholders participate in all general meetings of the Company on the basis of one vote for each share held.

The total return and residue of assets available for distribution will be dependant on dividends and growth of portfolio value between now and 15 August 2007.

NOTES TO THE ACCOUNTS
AS AT 31 JANUARY 2002

17. RESERVES

	Share premium account £	*Special reserve £	Capital reserve realised £	Capital reserve unrealised £	Revenue reserve £	Redemption reserve £
Beginning of period	-	-	-	-	-	-
Premium on issue of shares	44,550,000	-	-	-	-	-
Costs of issue	(1,344,449)	-	-	-	-	-
Transfer to Special Reserve	(43,205,551)	43,205,551	-	-	-	-
Net losses on realisation of investments	-	-	(585,749)	-	-	-
Movement in unrealised appreciation	-	-	-	(5,942,684)	-	-
Costs charged to capital	-	-	(323,188)	-	-	-
Tax relief on costs charged to capital	-	-	-	-	-	-
Appropriations for premium payable on redemption of Zero Dividend Preference shares	-	-	(631,286)	-	-	631,286
Retained net revenue for the period	-	-	-	-	103,060	-
As at 31 January 2002	-	43,205,551	(1,540,223)	(5,942,684)	103,060	631,286

* On 17 October 2001 the court approved the cancellation of the share premium account, consequently a special reserve was created.

18. RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS

Period ended
31 January 2002
£

Revenue available to Ordinary Income shareholders	1,303,060
Dividends paid and declared	(1,200,000)
	103,060
Capital return for the period	(6,851,621)
Net depletion of shareholders' funds	(6,748,561)
Opening shareholders' funds	-
Issue of share capital	45,000,000
Issue expenses	(1,344,449)
Closing shareholders' funds	36,906,990
Analysis between equity and non-equity interests:	
Equity	21,723,854
Non-equity	15,183,136
	36,906,990

Total shareholders' funds have been apportioned between equity shareholders and non-equity shareholders in accordance with FRS4.

19. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 January 2002 there were no outstanding commitments in respect of investments carrying an obligation for future subscriptions.

20. NET ASSET VALUE PER SHARE

The net asset value per share and the net asset values attributable to each class of share at the period end, excluding the current period revenue reserve, calculated in accordance with the Articles of Association were as follows:

	Net asset value per share attributable 31 January 2002 pence	Net asset values attributable 31 January 2002 £
Zero Dividend Preference shares	104.09	15,613,954
Ordinary Income shares	70.63	21,189,976

The 31 January 2002 net assets attributable have been reduced by the current period revenue.

The funds attributable to the separate classes of shareholder would be different were they to be calculated in accordance with the provisions of FRS4, which takes into account the allocation of share issue expenses to the Income shareholders and the Zero Dividend Preference shareholders. They do not reflect the rights under the Articles of Association of the respective classes of share on a return of assets. A reconciliation of the two figures for each class of share is as follows:

	Ordinary Income shares £	Zero Dividend Preference shares £	Total £
Shareholders' funds attributable	21,189,976	15,613,954	36,803,930
Current Period Revenue	103,060	-	103,060
Expenses of share issue	448,150	(448,150)	-
Differential in growth rates	(17,332)	17,332	-
Net assets attributable per FRS 4	21,723,854	15,183,136	36,906,990

NOTES TO THE ACCOUNTS
AS AT 31 JANUARY 2002

21. RECONCILIATION OF NET REVENUE TO NET
CASH INFLOW FROM OPERATING ACTIVITIES

Period ended
31 January 2002
£

Income before interest payable and taxation	1,512,537
Investment management fee charged to capital	(113,711)
Other costs charged to capital	-
Increase in creditors	167,853
Increase in other debtors	(241,522)
Dividends reinvested	-
Tax deducted from income	-
	<u>1,325,157</u>

22. RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET DEBT

Period ended
31 January 2002
£

Increase in cash in period	1,288,645
Drawdown of long term loan	(15,000,000)
Loan arrangement fee	30,000
Amortisation of loan arrangement fee	(2,122)
Change in net debt	<u>(13,683,477)</u>
Net debt at beginning of period	-
Net debt at 31 January 2002	<u>(13,683,477)</u>