45

Stead & Simpson Limited

Directors' report and financial statements

Registered number 29468

29 December 2001

Contents

Directors' report

The directors present their annual report and the audited financial statements for the period ended 29 December 2001.

Principal activities

The principal activity of the company during the period was that of shoe retailing.

Business review

A full review of the business is given in the accounts of Stead & Simpson Group Limited, the company's parent company.

Directors and directors' interests

The directors who held office during the period were as follows:

JH Shannon
C Freedman
V Woodland
P Millward
DE Lockyer
R Parr
AJ Smith
JC Barnes
PJL Foot

The interests of the directors, other than directors of the holding company, in the ordinary shares of the parent company were as follows:

	29 December 2001	30 December 2000
AJ Smith	**8,518**	8,518
P Millward	**10,777**	10,777
R Parr	**15,483**	15,483
V Woodland	**19,185**	19,185

Employees

During the year the company has continued to develop its communication systems.

Our works committees and company circulars have been supplemented as sources of information by regular regional meetings for management and staff, and our training this year has again been targeted at developing involvement and commitment by improving briefing of staff within each branch.

The company recognises its duty to employ disabled people. As in our general employment policy, applications from disabled people are considered with regard to aptitude and attributes of the individual to the post concerned.

Directors' report *(continued)*

Auditors

KPMG were re-appointed auditors at the last Annual General Meeting. However, since that date their business has transferred to limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PJL Foot
Secretary

Fosse Way
Syston
Leicester
LE7 1PG

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

1 Waterloo Way
Leicester
LE1 6LP

Independent auditor's report to the members of Stead & Simpson Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 is not disclosed.

Basis of audit 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 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 29 December 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditors

31st October, 2002.

Profit and loss account

for the 52 week period ended 29 December 2001

	Note	29 December 2001 £000	29 December 2001 £000	30 December 2000 £000	30 December 2000 £000
Turnover			117,873		114,991
Cost of sales			(109,356)		(107,564)
Gross profit			8,517		7,427
Distribution costs		(4,216)		(4,286)	
Administrative expenses (including exceptional costs of £224,000 *(2000: £nil)*)		(6,172)		(5,748)	
Commission and rents receivable		2,661		2,581	
			(7,727)		(7,453)
Operating profit					
Pre-exceptional operating profit/(loss)			1,014		(26)
Exceptional operating costs			(224)		-
			790		(26)
Net interest payable (including exceptional credit of £830,000 *(2000: £nil)*)	*3*		(182)		(1,234)
Profit/(loss) on ordinary activities before taxation	*2*		608		(1,260)
Taxation	*6*		-		-
Retained profit/(loss) for the year	*15*		608		(1,260)

All amounts are derived from continuing activities.

The attached notes form part of these accounts.

Balance sheet
at 29 December 2001

	Note	29 December 2001 £000	29 December 2001 £000	30 December 2000 £000	30 December 2000 £000
Fixed assets					
Intangible assets	7		427		85
Tangible assets	8		7,388		6,550
			7,815		6,635
Current assets					
Stock	9	21,268		21,317	
Debtors	10	7,762		7,428	
Cash at bank and in hand		515		756	
		29,545		29,501	
Creditors: Amounts falling due within one year	11	(34,819)		(33,375)	
Net current liabilities			(5,274)		(3,874)
Total assets less current liabilities			2,541		2,761
Creditors: Amounts falling due after more than one year	12		3,875		4,703
Capital and reserves					
Called up share capital	14	19,100		19,100	
Profit and loss account	15	(20,434)		(21,042)	
Shareholders' funds	22		(1,334)		(1,942)
			2,541		2,761

The attached notes form part of these accounts.

The accounts were approved by the Board on 28 October 2002.

D Lockyer
Director

PJL Foot
Director

Statement of total recognised gains and losses
for the 52 week period ended 29 December 2001

	29 December 2001 £000	30 December 2000 £000
Profit/(loss) for the financial period	**608**	(1,260)
Total recognised gains and losses relating to the period	**608**	(1,260)
Prior year adjustment (as explained in note 1)	**-**	204
Total gains and losses recognised since last annual report	**608**	(1.056)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Financial statements in prior years reflected the revaluation of certain assets. Under the transitional rules of FRS15, these assets were restated to historical cost as a change in accounting policy in the 2000 financial year.

These financial statements are also prepared on a going concern basis which assumes the company will continue to trade. The validity of this assumption is dependent upon continuing financial support which the holding company has undertaken to provide and which in the opinion of the directors is adequate for the purposes of the trade. If the company were unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify fixed assets as current assets.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Stead & Simpson Group Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

Turnover is the amount receivable for goods sold; value added tax is excluded. Turnover is derived substantially from the sale of footwear and accessories in the UK.

Intangible fixed assets (including purchased goodwill)

Intangible fixed assets purchased separately from a business are capitalised at their cost.

The purchase cost is amortised over the useful economic life of the asset between 10 and 20 years.

Fixed assets and depreciation

It is the company's policy to depreciate the fixed assets evenly over their expected normal lives at the following principal rates:

Shop fronts, fixtures and fittings	10%
Motor vans	25%
Motor cars	30%
Warehouse and office equipment	5% - 15%
Computer equipment	14% - 25%

Additional depreciation has been applied on shop fronts, fixtures and fittings in cases where the shop fitting out programmes have been advanced.

The directors decided that, with effect from 31 December 2000, certain items of computer equipment would be depreciated over 5 to 7 years (previously 3 to 5 years). As a result of these changes, the depreciation charge for the period ended 29 December 2001 was £274,000 lower than if calculated on the previous basis.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value.

Deferred taxation

The charge/credit for taxation is based on the results for the accounting period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Net debit balances are recognised as assets only to the extent that they are expected to be recovered without replacement by equivalent debit balances.

Notes *(continued)*

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are taken to the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

No value has been taken in these accounts of short leasehold properties.

Post retirement benefits

Defined contribution pension schemes

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Defined benefit pension scheme

The company also operates a pension scheme providing benefits based on final pensionable pay, The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

2 Profit/(loss) on ordinary activities before taxation

	29 December 2001 £000	30 December 2000 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration:		
Audit	**27**	26
Other services	**20**	8
Depreciation and amortisation	**1,173**	1,208
Exchange gains	**-**	260
Hire of plant and machinery - rentals payable under operating leases	**613**	627
Hire of other assets - operating leases	**17,049**	17,087
(Profit) on termination of property leases	**(4)**	(72)
Exceptional item – disposal of leasehold interest in retail outlet	**224**	-

Notes *(continued)*

3 Net interest payable

	29 December 2001 £000	30 December 2000 £000
Interest payable and similar charges:		
On bank loans and overdrafts	**(971)**	(1,062)
On all other loans	**(13)**	(79)
Charges payable in respect of finance leases and hire purchase contracts	**(31)**	(42)
Other interest payable	**(24)**	(22)
On intercompany loans	**-**	(63)
	(1,039)	(1,268)
Interest receivable:		
Short term deposits	**27**	34
Exceptional item – waiver of interest accrued on term loans	**830**	-
	(182)	(1,234)

4 Remuneration of directors

	29 December 2001 £000	30 December 2000 £000
Directors' emoluments	**628**	622
Company contributions to money purchase schemes	**28**	26

Included within directors' emoluments are amounts paid to third parties in respect of directors' services of £51,250 *(30 December 2000 : £73,750)*.

The emoluments of the highest paid director, excluding pension contributions, were £138,464 *(30 December 2000 : £127,538)*, and company pension contributions of £19,688 *(30 December 2000 : £18,000)* were made on his behalf.

	Number of directors 29 December 2001	30 December 2000
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2
Defined benefit schemes	**5**	5

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	29 December 2001	30 December 2000
	Number of employees	
Retail and distribution		
- full time	**844**	813
- part time	**3,116**	3,302
Administration	**58**	89
	4,018	4,204

The aggregate payroll costs of these persons were as follows:

	29 December 2001	30 December 2000
	£000	£000
Wages and salaries	**21,479**	21,305
Social security costs	**1,151**	1,163
Other pension costs	**287**	340
	22,917	22,808

6 Taxation

There is no tax charge for the period, due to the availability of losses brought forward.

Notes *(continued)*

7 Intangible fixed assets

	Goodwill £000	Trade marks £000	Total £000
Cost:			
At 30 December 2000	-	100	100
Acquired during the year	370	-	370
At 29 December 2001	370	100	470
Amortisation:			
At 30 December 2000	-	15	15
Charge for the period	23	5	28
At 29 December 2001	23	20	43
Net book value:			
At 29 December 2001	**347**	**80**	**427**
At 30 December 2000	-	85	85

Notes *(continued)*

8 Tangible fixed assets

	Machinery, plant and motor vehicles	Shop equipment, fixtures and fittings	Total
	£000	£000	£000
Cost or valuation:			
At 30 December 2000	4,226	18,382	22,608
Additions	452	1,493	1,945
Acquisition of businesses (see note 20)	-	95	95
Disposals	-	(184)	(184)
At 29 December 2001	4,678	19,786	24,464
Depreciation:			
At 30 December 2000	2,562	13,496	16,058
Charge for the period	297	848	1,145
Disposals	-	(127)	(127)
At 29 December 2001	2,859	14,217	17,076
Net book value:			
At 29 December 2001	**1,819**	**5,569**	**7,388**
At 30 December 2000	1,664	4,886	6,550

Included in the total net book value of machinery, plant and motor vehicles is £56,000 *(30 December 2000 : £244,000)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £188,000 (*30 December 2000 : £190,000)*.

Notes *(continued)*

9 Stocks

Stocks consist of goods for resale and consumables held by the company.

10 Debtors

	29 December 2001 £000	30 December 2000 £000
Trade debtors	**1,049**	787
Other debtors	**10**	105
Prepayments	**5,860**	5,693
Amounts due from group undertakings	**843**	843
	7,762	7,428

11 Creditors: amounts falling due within one year

	29 December 2001 £000	30 December 2000 £000
Bank overdrafts	**15,461**	14,561
Obligations under finance leases and hire purchase contracts	**12**	176
Trade creditors	**9,044**	9,204
Amounts owed to parent undertaking	**4,955**	4,968
Other creditors including taxation and social security	**1,452**	1,034
Accruals and deferred income	**3,895**	3,432
	34,819	33,375

The banking facilities are secured by a fixed and floating charge over substantially the whole of the group's assets.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	29 December 2001 £000	30 December 2000 £000
Term loans	**2,169**	2,985
Amounts owed to parent undertaking	**1,700**	1,700
Obligations under finance leases and hire purchase contracts	**6**	18
	3,875	4,703

The term loans are secured by a fixed and floating charge debenture created by Stead & Simpson Group Limited over substantially the whole of the group's assets. There are no fixed repayment terms and these rank behind Burdale Financial Limited. Interest accrues at 1.5% above the prevailing base rate and is payable on repayment of the loan. However, the loan holders have waived interest after 30 June 2000. Since the end of the financial period, the parent company has provided funds for £2 million of the term loans to be repaid.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	29 December 2001 £000	30 December 2000 £000
Within one year	**15**	205
In the second to fifth years	**8**	23
	23	228
Less future finance charges	**(5)**	(34)
	18	194

Notes *(continued)*

13 Provisions for liabilities and charges

The unprovided deferred tax asset at 29 December 2001 was approximately £5.7 million *(30 December 2000 : £6 million).*

14 Called up share capital

	29 December 2001 £000	30 December 2000 £000
Authorised		
1,600,000 Ordinary shares of 25p each	**400**	400
56,200,000 'A' Ordinary shares of 25p each	**14,050**	14,050
19,000,000 unclassified shares of 25p each	**4,750**	4,750
	19,200	19,200
Allotted, called up and fully paid		
1,600,000 Ordinary shares of 25p each	**400**	400
56,200,000 'A' Ordinary shares of 25p each	**14,050**	14,050
18,600,000 unclassified shares of 25p each	**4,650**	4,650
	19,100	19,100

15 Reserves

	Profit and loss account £000
At beginning of year	(21,042)
Retained profit for the period	608
At end of period	(20,434)

Notes *(continued)*

16 Commitments

(i) There were no capital commitments at the end of the financial year.

(ii) Annual commitments under non-cancellable operating leases are as follows:

	29 December 2001		30 December 2000	
	Land and buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**740**	**50**	759	150
In the second to fifth years inclusive	**4,149**	**451**	3,246	365
Over five years	**14,102**	**-**	14,790	-
	18,991	**501**	18,795	515

17 Contingent liabilities

At 29 December 2001 the company had given unlimited guarantees in respect of the borrowings of certain group companies under the terms of a composite accounting agreement with Burdale Financial Limited.

18 Pensions

The company operates the pension schemes on behalf of its permanent full time employees, namely a defined benefit scheme and a group defined contribution scheme. It also contributes to a number of individual defined contribution arrangement for certain senior management.

The defined benefit scheme's funds are administered by trustees and are independent of the company's finances. The latest full Actuarial Valuation of the scheme as at 1 June 2000, carried out by an independent actuary, has been finalised and recommended that employer contributions increased from 10% to 11% with effect from 31 May 2001.

The main assumptions in the Actuarial Valuation are that the rate of investment returns would exceed the salary inflation by 2% and future pension increases by 3.5% per annum. At the date of valuation, scheme assets are valued at £8,766,000.

Variations from the regular pension costs are currently being spread over the estimated average service lives of the employees, which is 13 years. The pension charge for the period was £163,000 *(2000: £236,000).*

On 2 June 1998 the defined benefit scheme was closed to new entrants. On 1 January 1999 a new Group Personal Pension Scheme was opened in its place. Contributions into the scheme were £84,000 *(2000: £65,000).*

Notes (continued)

19 Pensions (continued)

The company also contributes to individual defined contribution arrangements on behalf of five employees. The pension charge arising was £39,000 *(2000: £39,000).*

Whilst the company also continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation at 1 June 2000 has been updated by a qualified independent actuary employed by SBJ Benefit Consultants on an FRS 17 basis as at 29 December 2001.

The major assumptions used in this valuation were:

	2001
Rate of increase in salaries	4.0%
Rate of increase in pensions in payment	2.5%
Discount rate	5.25%
Inflation assumption	2.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 29 December 2001 £000
Equities	4,145
Long dated gilts	3,980
Other	194
Scheme assets	8,319
Present value of scheme liabilities	8,747
Deficit in the scheme – Pension liabilities	(428)
Related deferred tax asset	128
Net pension liability	300

The amount of this net pension liability would have a consequential effect on reserves.

Notes *(continued)*

20 Acquisition of businesses

The company acquired the businesses of Malcolm Hudson Quality Shoes on 31 March 2001 and M & J Greenwood Limited on 28 July 2001.

Both acquisitions have been accounted for under the acquisition method of accounting. The assets and liabilities which were acquired are set out below.

	Book and fair value £000
Fixed assets	95
Stocks	366
Net assets	461
Goodwill arising on acquisition	370
	831
Satisfied by:	
Cash	666
Deferred consideration	165
	831

Of the deferred consideration £80,000 is due on 31 March 2002 and £85,000 is due on 30 April 2002.

During the year, the businesses acquired contributed turnover of £814,000 and gross profit of £120,000. The contribution to operating profit cannot be calculated as central overheads are not allocated at branch level.

21 Ultimate holding company

The ultimate holding company is Stead & Simpson Group Limited, registered and incorporated in England and Wales.

22 Reconciliation of movements in shareholders' funds

	29 December 2001 £000	30 December 2000 £000
Profit/(loss) for the period	**608**	(1,260)
Opening shareholders' funds	**(1,942)**	(682)
Closing shareholders' funds	**(1,334)**	(1,942)

Shareholders' funds at 1 January 2000 were originally £541,000, before deduction of the prior year adjustment of £1,223,000.

Notes *(continued)*

23 Related party transactions

In accordance with FRS8, the following disclosure relates to related party transactions during the period.

Related party	Relationship to group	Term loans £000	Interest charged £000	Guarantees given £000
Development Securities plc	Shareholder	1,000	-	1,935
Apax Partners & Co Ventures Limited	Shareholder	1,000	-	1,185
JHS Consultants Limited	*	80	9	-
JH Shannon	Director	-	-	180
DE Lockyer	Director	50	5	50

* JH Shannon is a director and majority shareholder of JHS Consultants Limited.

Under FRS8 the company is exempt from the requirement to disclose related party transactions with the Stead & Simpson Group Limited on the grounds that it is a wholly owned subsidiary undertaking of Stead & Simpson Group Limited.

WE Briggs & Sons Limited

Directors' report and financial statements

Registered number 463156

31 December 2001

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activity

The company has not traded during the year.

Directors and directors' interests

The directors who held office during the period were as follows:-

DE Lockyer
PJL Foot

There are no share interests requiring disclosure in these accounts.

Auditors

KPMG were re-appointed auditors at the last Annual General Meeting. However, since that date their business has transferred to limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PJL Foot
Secretary

Fosse Way
Syston
Leicester
LE7 1PG

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

1 Waterloo Way
Leicester
LE1 6LP

Independent auditor's report to the members of W E Briggs & Sons Limited

We have audited the financial statements on pages 4 to 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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 group'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 2001 and of the result of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor 31st October 2002.

Profit and loss account
for the year ended 31 December 2001

During the years ended 31 December 2001 and December 2000, the company did not trade and received no income and incurred no expenditure. Consequently, during those periods, the company made neither a profit nor a loss.

Balance sheet
at 31 December 2001

	Note	**31 December 2001** £000	**31 December 2001** £000	31 December 2000 £000	31 December 2000 £000
Creditors: amounts falling due within one year	*2*	**(1,218)**		(1,218)	
Net liabilities			**(1,218)**		(1,218)
Capital and reserves					
Called up share capital	*3*		**318**		318
Capital redemption reserve			**6**		6
Profit and loss account			**(1,542)**		(1,542)
Shareholders' funds - equity interests			**(1,218)**		(1,218)

These financial statements were approved by the board of directors on 28 October 2002 and were signed on its behalf by:

DE Lockyer
Director

PJL Foot
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

2 Creditors: amounts falling due within one year

	31 December 2001 £000	31 December 2000 £000
Amount owed to group companies	**1,218**	1,218

3 Called up share capital

	31 December 2001 £	31 December 2000 £
Authorised		
Ordinary shares of £1 each	**450,000**	450,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**317,700**	317,700

4 Ultimate holding company

The ultimate holding company is Stead & Simpson Group Limited, which is incorporated in Great Britain and registered in England and Wales.