

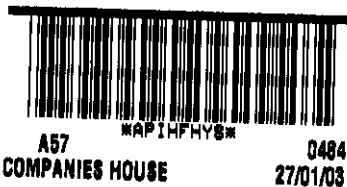
DOUGLAS & GORDON LIMITED

Company No: 01420429

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2002



Douglas & Gordon Limited

Report of the Directors

Directors: P.D.T. Willcox (Chairman)
I. Dickinson
E. Mead
T. Buckley
M.C. Alabaster (resigned 30th June 2001)
A.M. Twist
S. Franklin
V. Skilbeck

Secretary: M.E. Hodgson

Registered Office: 67-68 Warwick Square, Victoria, London SW1V 2AR

The directors present their report and the accounts for the year ended 31st March 2002.

Results and Dividends

The profit for the year amounted to £85,162 (2001 - loss of £34,484).

The directors do not recommend the payment of a dividend.

Principal activity and business review

The activities of the company consist of estate agency and property management services in the central London area.

During the year the company opened a new headquarters and trading office in Warwick Square, London SW1 and vacated its office at Milner Street, London SW3. A new trading office was also opened during the year in Sloane Avenue, London SW1. A bank loan of £400K and credit line of £500K was secured to fund this expansion.

Following the events of 11th September 2001, the company experienced a downturn in some areas of its trade and steps were taken to reduce overheads.

Subsequent Events and Future Developments

The company has acquired a property management services (PMS) business at a cost of £82K (start up losses) that is expected to increase the size of its PMS operations by 50%. The acquisition is being funded from the company's own resources. As a result of this acquisition, the company has decided to find additional rented office space.

The company is developing a new trading office in Abbeville Road, London SW4, at a cost of £300K (£125K capital and £175K start up losses) which will be funded from its own resources.

On 1st April 2002, the company restructured itself by paying a dividend of £1,232K on the 'A' ordinary shares and transferring the whole of its business and net assets to a new 100% owned fellow subsidiary of The Eggar Forrester Group Limited (EFG) at NAV of £285K. The company changed its name to Douglas & Gordon (2) Limited and became dormant. The new company changed its name to Douglas & Gordon Limited and was recapitalised by EFG subscribing £1,232K for new ordinary shares. The purpose of the transfer was to enable the operation of a new share incentive scheme (AESIP).

The ultimate holding company, The Eggar Forrester Group Limited (EFG) formed an Employee Benefit Trust (EBT) for the purposes of providing group employee benefits and administering an All Employee Share Incentive Plan (AESIP). Under the terms of the AESIP, the EBT offered selected group executives ratchet tracker shares in The Employee Controlled Company Limited (ECC), an unconsolidated entity, which invested in special rights shares in EFG that will control 10% of the new company provided that performance related incentive targets are met. The EBT also offered selected group executives tracker shares in the ECC, which invested in special rights shares in EFG which control 81/2% of the new company.

Douglas & Gordon Limited

Report of the Directors (Continued)

Directors and their interests

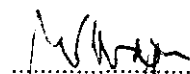
According to the register maintained as required under Section 325 of the Companies Act 1985, the interests of the directors and their families in the share capital of the company and its ultimate holding company, The Eggar Forrester Group Limited are set out below:

| | The Company | | The Eggar Forrester Group Limited | |
|--|--------------------|--------------------|--------------------------------------|--------------------|
| | 31st March 2002 | 31st March 2001 | 31st March 2002 | 31st March 2001 |
| P.D.T. Willcox | | | | |
| Ordinary shares of £1 each, fully paid | - | - | 5,317 | 5,317 |
| Preferred ordinary shares of £1 each, fully paid | - | - | 141,774 | 141,774 |
| I. Dickinson | | | | |
| 'B' Ordinary shares of £1 each, fully paid | 13,808 | 13,808 | - | - |

Auditors

The auditors, Kingston Smith have indicated their willingness to continue in office and a resolution to re-appoint them will be made at the Annual General meeting.

By Order of the Board



M.E. Hodgson
 Secretary

67-68 Warwick Square
 Victoria
 London
 SW1V 2AR

Date: 21/1/03

Douglas & Gordon Limited

Directors' Responsibilities and Report of the Auditors

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 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; and prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 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.

Independent Auditors' Report to the Shareholders of Douglas & Gordon Limited

We have audited the financial statements of Douglas & Gordon Limited for the year ended 31st March 2002 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These have been prepared under the historical cost convention and the accounting policies set out therein.

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 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 the 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.

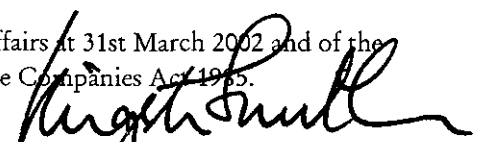
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 accounts give a true and fair view of the state of the company's affairs at 31st March 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 22nd January 2003


Kingston Smith
Chartered Accountants
and Registered Auditors

Douglas & Gordon Limited
Profit and Loss Account
For the year ended 31st March 2002

| | Notes | 2002 £ | 2001 £ as restated |
|---|-------|----------------------|--------------------------|
| Turnover - continuing activities | 2 | 9,398,018 | 7,839,856 |
| Administrative expenses | 3 | <u>(9,212,507)</u> | <u>(7,696,576)</u> |
| Operating Profit | 4 | 185,511 | 143,280 |
| Interest receivable | | 3,334 | 163,213 |
| Amounts written off investments | | - | (250,000) |
| Interest payable | 6 | <u>(19,591)</u> | <u>(7,583)</u> |
| Profit on Ordinary Activities before Taxation | | 169,254 | 48,910 |
| Tax on profit on ordinary activities | 7 | <u>(84,092)</u> | <u>(83,394)</u> |
| Profit/(Loss) for the Financial Year after Taxation | 19 | <u><u>85,162</u></u> | <u><u>(34,484)</u></u> |

Statement of Total Recognised Gains and Losses

| | 2002 £ | 2001 £ as restated |
|--|----------------------|--------------------------|
| Profit/(loss) for the Financial Year | 85,162 | (34,484) |
| Prior year adjustments (as explained in note 19) | <u>(1,162)</u> | <u>5,647</u> |
| | <u><u>84,000</u></u> | <u><u>(28,837)</u></u> |

The notes on pages 9 to 18 form part of these accounts.

Douglas & Gordon Limited

Balance Sheet at 31st March 2002

| | Notes | 2002 £ | 2001 £ as restated |
|--|-------|-------------------------|--------------------------|
| Fixed Assets | | | |
| Intangible assets | 8 | 136,950 | 149,450 |
| Tangible assets | 9 | 1,049,107 | 738,202 |
| Investments | 10 | <u>1,567</u> | <u>1,567</u> |
| | | <u>1,187,624</u> | <u>889,219</u> |
| Current Assets | | | |
| Debtors: Amounts falling due within one year | 11 | 1,642,606 | 1,488,109 |
| Amounts falling due after more than one year | 12 | - | 347 |
| Cash at bank and in hand | 13 | <u>7,379,673</u> | <u>5,722,615</u> |
| | | 9,022,279 | 7,211,071 |
| Creditors: Amounts falling due within one year | 14 | <u>8,487,305</u> | <u>6,560,691</u> |
| Net Current Assets | | <u>534,974</u> | <u>650,380</u> |
| Total Assets Less Current Liabilities | | 1,722,598 | 1,539,599 |
| Creditors: Amounts falling due after more than one year | 15 | 115,539 | 32,746 |
| Provisions for Liabilities and Charges | 16 | <u>90,070</u> | <u>75,026</u> |
| Net Assets | | <u><u>1,516,989</u></u> | <u><u>1,431,827</u></u> |
| Capital and Reserves | | | |
| Called up share capital - equity interests | 18 | 276,315 | 276,315 |
| Share premium account | 19 | 8,685 | 8,685 |
| Profit and loss account | 19 | <u>1,231,989</u> | <u>1,146,827</u> |
| | | <u><u>1,516,989</u></u> | <u><u>1,431,827</u></u> |

Approved by the Board on 21/1/03
and signed on its behalf:



P.D.T. Willcox
Chairman

The notes on pages 9 to 18 form part of these accounts.

Douglas & Gordon Limited
Cash Flow Statement
For the year ended 31st March 2002

| | Notes | 2002 £ | 2001 £ as restated |
|---|-------|----------------------|--------------------------|
| Net cash inflow from operating activities | 1 | 462,041 | 184,996 |
| Returns on investments and servicing of finance | 3 | (20,100) | 136,609 |
| Taxation | | (49,445) | (401,438) |
| Capital expenditure and financial investment | 3 | <u>(490,529)</u> | <u>(571,458)</u> |
| | | (98,033) | (651,291) |
| Financing | 3 | <u>113,545</u> | <u>231,635</u> |
| Increase/(Decrease) in cash in the period | 2 | <u><u>15,512</u></u> | <u><u>(419,656)</u></u> |

Douglas & Gordon Limited
Notes to the Cash Flow Statement
For the year ended 31st March 2002

1 Reconciliation of Operating Profit to Net

| Cash Inflow from Operating Activities | 2002 | 2001 |
|--|----------------|----------------|
| | £ | £ |
| Operating profit | 185,511 | 143,280 |
| Depreciation charges | 247,189 | 195,693 |
| (Increase)/decrease in debtors | (153,709) | 203,386 |
| Increase in amounts due to group undertakings | 97,488 | 41,991 |
| Increase/(decrease) in creditors | 69,925 | (407,424) |
| Increase in provisions for liabilities and charges | 15,637 | 8,070 |
| | <u>462,041</u> | <u>184,996</u> |

2 Reconciliation of Net Cash Flow to Movement in Net Funds (Note 4)

| | 2002 | 2001 |
|---|------------------------|----------------------|
| | £ | £ |
| Increase/(Decrease) in cash in period | 15,512 | (419,656) |
| Cash (inflow)/outflow from increase in debt and lease financing | <u>(113,545)</u> | <u>18,365</u> |
| Change in net funds resulting from cash flow | (98,033) | (401,291) |
| New finance leases | <u>(55,065)</u> | <u>-</u> |
| Movement in net debt in the period | (153,098) | (401,291) |
| Net funds at 1st April 2001 | 55,269 | 456,560 |
| Net debt at 31st March 2002 | <u>(97,829)</u> | <u>55,269</u> |

3 Gross Cash Flows

| | 2002 | 2002 | 2001 | 2001 |
|--|-----------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Returns on investments and servicing of finance | | | | |
| Interest received | (509) | | 144,192 | |
| Interest paid | <u>(19,591)</u> | | <u>(7,583)</u> | |
| | | <u>(20,100)</u> | | <u>136,609</u> |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible fixed assets | (512,496) | | (321,458) | |
| Receipts from sales of tangible fixed assets | 21,967 | | - | |
| Purchase of investment in unquoted plc | <u>-</u> | | <u>(250,000)</u> | |
| | | <u>(490,529)</u> | | <u>(571,458)</u> |
| Financing | | | | |
| Issue of ordinary share capital | - | | 250,000 | |
| Debt due within a year: | | | | |
| Draw down of secured loan repayable by October 2004 in monthly instalments | 68,499 | | - | |
| Debt due beyond a year: | | | | |
| Draw down of secured loan repayable by October 2004 in monthly instalments | 76,624 | | - | |
| Capital element of finance lease rental payments | <u>(31,578)</u> | | <u>(18,365)</u> | |
| | | <u>113,545</u> | | <u>231,635</u> |

Douglas & Gordon Limited
Notes to the Cash Flow Statement
For the year ended 31st March 2002 (continued)

| 4 Analysis of Changes in Net Funds | At 1st April 2001 £ | Cash Flows £ | Other Changes £ | At 31st March 2002 £ |
|------------------------------------|------------------------------|--------------------|-----------------------|-------------------------------|
| Cash at bank and in hand | 107,467 | 15,512 | - | 122,979 |
| Debt due within 1 year: | | | | |
| Finance leases | (19,452) | 31,578 | (48,896) | (36,770) |
| Secured loan | - | (68,499) | | (68,499) |
| Debt due beyond a year: | | | | |
| Finance leases | (32,746) | - | (6,169) | (38,915) |
| Secured loan | - | (76,624) | | (76,624) |
| Total | <u>55,269</u> | <u>(98,033)</u> | <u>(55,065)</u> | <u>(97,829)</u> |

5 Major Non-Cash Transactions

During the year the company entered into finance lease arrangement in respect of assets with a capital value of £55,065 (2001 - £Nil).

Douglas & Gordon Limited

Notes to the Financial Statements

For the year ended 31st March 2002

1 Accounting Policies

Accounting Convention

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

Depreciation of Tangible Fixed Assets

The fixed assets of the business are written off by equal instalments over their expected useful lives as follows:

| | |
|-----------------------|---------------|
| Fixtures and fittings | 5 to 10 years |
| Motor vehicles | 5 years |
| Computer equipment | 5 years |

Short leasehold property and leasehold improvements are amortised over the life of the lease.

Intangible Fixed Assets

Goodwill arising on the purchase of business is written off in equal annual instalments over its expected useful economic life subject to impairment reviews. Goodwill purchased prior to 1999 has been fully amortised.

Goodwill purchased in March 1999 is being written off over 14 years.

Leasing Contracts

Assets acquired under finance leases are included in tangible fixed assets and the obligations to pay future instalments are shown under creditors.

The finance cost is charged on a straight line basis as an approximation to produce a constant periodic rate of return on the remaining balance.

Operating lease rentals are charged on a straight line basis over the lease term.

Deferred Taxation

Provision is made for deferred taxation, on all reversible timing differences but deferred tax assets are only recognised where recoverability is anticipated. This represents a change in accounting policy following the company's adoption of the requirements of FRS 19, Deferred Tax, which has been reflected in these financial statements as a prior year adjustment.

Pension Benefits

The regular annual cost of the pension scheme is charged in the profit and loss account. The difference between this and the contribution paid during the year is included in debtors or provisions.

A pension fund surplus is currently being dealt with as a reduction in the regular annual cost over the average remaining service lives of the members.

The pension scheme is further described in note 21.

2 Turnover

Turnover comprises the invoiced value of commissions charged to clients, less commission payable to other agents, excluding VAT.

The turnover derives from the company's principal activities of estate agency and property management services carried on within the UK.

Douglas & Gordon Limited
Notes to the Financial Statements
For the year ended 31st March 2002 (continued)

| | | |
|--|------------------|------------------|
| 3 Operating Costs | 2002 £ | 2001 £ |
| Staff costs (Note 5) | 4,982,457 | 4,307,422 |
| Depreciation and other amounts written off tangible fixed assets under finance leases | 20,575 | 24,931 |
| Depreciation and other amounts written off owned tangible fixed assets | 188,710 | 158,262 |
| Amounts written off goodwill | 12,500 | 12,500 |
| Loss on sale of fixed assets | 25,404 | - |
| Other operating charges | <u>3,982,861</u> | <u>3,193,461</u> |
| | <u>9,212,507</u> | <u>7,696,576</u> |
| 4 Operating Profit | 2002 £ | 2001 £ |
| This is stated after charging: | | |
| Auditors' remuneration for audit work | 37,654 | 21,263 |
| Auditors' remuneration for non audit work | 1,500 | 1,925 |
| Operating lease rentals - plant and machinery | 453,873 | 325,706 |
| - other assets | <u>536,215</u> | <u>341,976</u> |
| 5 Emoluments of Directors' and Staff | 2002 £ | 2001 £ |
| Directors' Remuneration | | |
| Aggregate emoluments (excluding pension contributions) | <u>674,664</u> | <u>704,186</u> |
| | No. | No. |
| Number of directors accruing benefits under defined benefits scheme | <u>7</u> | <u>8</u> |
| Highest paid director: | £ | £ |
| Aggregate emoluments (excluding pension contributions) | <u>206,617</u> | <u>186,633</u> |
| Defined benefit scheme: | | |
| Accrued annual pension at end of year | <u>32,627</u> | <u>22,913</u> |
| Staff costs (including directors) | | |
| Wages and salaries | 4,348,318 | 3,752,178 |
| Social security costs | 484,062 | 426,256 |
| Other pension costs | <u>150,077</u> | <u>128,988</u> |
| | <u>4,982,457</u> | <u>4,307,422</u> |
| The monthly average number of employees of the company during the year was 105 (2001 - 100). | | |
| 6 Interest Payable | 2002 £ | 2001 £ |
| Bank loan | 7,972 | - |
| Aggregate finance charges allocated for the year in respect of finance leases | <u>11,619</u> | <u>7,583</u> |
| | <u>19,591</u> | <u>7,583</u> |

Douglas & Gordon Limited
Notes to the Financial Statements
For the year ended 31st March 2002 (continued)

| 7 Tax on Profit on Ordinary Activities | 2002 £ | 2002 £ | 2001 £ as restated | 2001 £ as restated |
|--|-----------|----------------------|--------------------------|--------------------------|
| (a) Analysis of charge in period | | | | |
| <i>Current tax:</i> | | | | |
| UK Corporation tax on profit of the period | | 92,000 | | 72,934 |
| Adjustments in respect of previous periods | | <u>(7,315)</u> | | <u>(17,415)</u> |
| Total current tax (note 7(b)) | | 84,685 | | 55,519 |
| <i>Deferred tax:</i> | | | | |
| Origination and reversal of timing differences | (593) | | 6,809 | |
| Adjustment in respect of previous periods | <u>-</u> | | <u>21,066</u> | |
| Total deferred tax (note 16) | | <u>(593)</u> | | <u>27,875</u> |
| Tax on profit on ordinary activities | | <u><u>84,092</u></u> | | <u><u>83,394</u></u> |

(b) Factors affecting the tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | 2002 £ | 2001 £ |
|---|----------------------|----------------------|
| Profit on ordinary activities before tax | <u>169,254</u> | <u>48,910</u> |
| Tax on profit at 30% (2001 - 30%) | 50,580 | 14,673 |
| Effect of: | | |
| Small companies rate relief | - | (1,099) |
| Corporate venture relief | - | (50,000) |
| Expenses not deductible for tax purposes (primarily consumables capitalised for tax purposes, entertaining, car leasing disallowance, legal and professional fees, write off of goodwill, leasehold amortisation and in 2001 provision for losses on investments for which corporate venture relief has been claimed) | 48,827 | 110,695 |
| Accelerated capital allowances | (10,945) | (9,811) |
| Pension provisions in excess of contributions | 4,691 | 2,421 |
| Revision in estimating quantum of profits for tax provisions | (1,153) | - |
| Interest accrual | - | 6,055 |
| Adjustments to tax charge in respect of previous periods | <u>(7,315)</u> | <u>(17,415)</u> |
| Current tax charge for period (note 7(a)) | <u><u>84,685</u></u> | <u><u>55,519</u></u> |

(c) Factors that may affect future tax charges

The company expects a reduction in the effective rate of tax in future to between 33% and 43% on profits in the range of £900K to £250K in the absence of any further write offs of investments or goodwill impairment charges.

Douglas & Gordon Limited
Notes to the Financial Statements
For the year ended 31st March 2002 (continued)

8 Intangible Fixed Assets

| | |
|---|-----------------------|
| Goodwill arising on the purchase of a business at cost: | £ |
| Cost | |
| 1st April 2001 and at 31st March 2002 | <u>175,000</u> |
| Amortisation | |
| 1st April 2001 | 25,550 |
| Charge for the year | <u>12,500</u> |
| 31st March 2002 | <u>38,050</u> |
| Net Book Value | |
| 31st March 2002 | <u><u>136,950</u></u> |
| 31st March 2001 | <u><u>149,450</u></u> |

9 Tangible Fixed Assets

| | Short Leasehold Property | Leasehold Improvements | Computer Equipment | Fixtures & Fittings | Motor Vehicles | Total |
|-----------------------|--------------------------------|---------------------------|-----------------------|------------------------|----------------------|-------------------------|
| Cost or valuation | £ | £ | £ | £ | £ | £ |
| 1st April 2001 | 49,000 | 248,340 | 432,278 | 417,068 | 74,849 | 1,221,535 |
| Additions | - | 249,009 | 78,262 | 235,336 | 4,954 | 567,561 |
| Disposals | - | - | (219,511) | (39,708) | (14,360) | (273,579) |
| 31st March 2002 | <u>49,000</u> | <u>497,349</u> | <u>291,029</u> | <u>612,696</u> | <u>65,443</u> | <u>1,515,517</u> |
| Depreciation | | | | | | |
| 1st April 2001 | 8,944 | 53,709 | 271,195 | 115,429 | 34,056 | 483,333 |
| Charge for the year | 2,772 | 32,478 | 67,668 | 94,384 | 11,983 | 209,285 |
| Disposals | - | - | (181,027) | (39,708) | (5,473) | (226,208) |
| 31st March 2002 | <u>11,716</u> | <u>86,187</u> | <u>157,836</u> | <u>170,105</u> | <u>40,566</u> | <u>466,410</u> |
| Net Book Value | | | | | | |
| 31st March 2002 | <u><u>37,284</u></u> | <u><u>411,162</u></u> | <u><u>133,193</u></u> | <u><u>442,591</u></u> | <u><u>24,877</u></u> | <u><u>1,049,107</u></u> |
| 31st March 2001 | <u><u>40,056</u></u> | <u><u>194,631</u></u> | <u><u>161,083</u></u> | <u><u>301,639</u></u> | <u><u>40,793</u></u> | <u><u>738,202</u></u> |

The net book value of:

a) Motor vehicles £24,877 (2001 - £40,793) includes an amount of £13,703 (2001 - £20,553) in respect of assets held under finance leases.

b) Computer equipment £133,193 (2001 - £161,083) includes an amount of £23,668 (2001 - £20,810) in respect of assets held under finance leases.

Douglas & Gordon Limited
Notes to the Financial Statements
For the year ended 31st March 2002 (continued)

| 10 Investments | Unlisted at Directors Valuation £ | At Cost £ | Total £ |
|---------------------------------|--|--------------|------------|
| Cost or Valuation | | | |
| 1st April 2001 | 1,567 | 250,000 | 251,567 |
| 31st March 2002 | 1,567 | 250,000 | 251,567 |
| Provision for Impairment | | | |
| 1st April 2001 | - | 250,000 | 250,000 |
| 31st March 2002 | - | 250,000 | 250,000 |
| Net Book Values | | | |
| 31st March 2002 | 1,567 | - | 1,567 |
| 31st March 2001 | 1,567 | - | 1,567 |

The investment at cost comprises 1,144,927 £0.01 shares in Fastcrop plc (unquoted). According to their accounts for the year ended 31st December 2001 this represented 2.3% of the issued share capital. Fastcrop plc operates the PrimeLocation website, a portal for estate agency. Due to continuing losses, full provision has been made for the impairment in value of this investment.

| 11 Debtors: Amounts falling due within one year | 2002 £ | 2001 £ |
|---|------------------|------------------|
| Trade debtors | 1,230,722 | 1,171,456 |
| Amounts owed by group undertakings | 26,024 | 29,426 |
| Other debtors | 36,859 | 20,096 |
| Prepayments and accrued income | 349,001 | 267,131 |
| | <u>1,642,606</u> | <u>1,488,109</u> |

| 12 Debtors: Amounts falling due after more than one year | 2002 £ | 2001 £ |
|--|-----------|-----------|
| Other debtors | - | 347 |

| 13 Cash at Bank and in Hand | 2002 £ | 2001 £ |
|-----------------------------------|------------------|------------------|
| Cash at bank and in hand | 130,825 | 162,925 |
| Amounts held on behalf of clients | 7,248,848 | 5,559,690 |
| | <u>7,379,673</u> | <u>5,722,615</u> |

Douglas & Gordon Limited
Notes to the Financial Statements
For the year ended 31st March 2002 (continued)

| | | |
|---|-----------------------|--------------------|
| 14 Creditors: Amounts falling due within one year | 2002 | 2001 |
| | £ | £ |
| Bank overdrafts | 7,846 | 55,458 |
| Bank loans (Note 15b) | 68,499 | - |
| Amounts held on behalf of clients | 7,248,848 | 5,559,690 |
| Trade creditors | 206,305 | 354,564 |
| Amounts owed to group undertakings | 150,764 | 56,678 |
| Other creditors | 265,106 | 164,451 |
| Social security and other taxes | 440,749 | 327,948 |
| Obligations under finance leases | 36,770 | 19,452 |
| Accruals and deferred income | 62,418 | 22,450 |
| | <u>8,487,305</u> | <u>6,560,691</u> |
| 15 Creditors: Amounts falling due after more than one year | 2002 | 2001 |
| | £ | £ |
| Bank loan (note b) | 76,624 | - |
| Obligations under finance leases (note a) | 38,915 | 32,746 |
| | <u>115,539</u> | <u>32,746</u> |
| a) Obligations due under finance leases, net of finance charges: | | |
| Due within one year (note 14) | 36,770 | 19,452 |
| Due within one to two years | 38,915 | 15,219 |
| Due within two to five years | - | 17,527 |
| | <u>75,685</u> | <u>52,198</u> |
| b) The loan is from NatWest Bank Plc and is repayable by October 2004. It is secured by a mortgage debenture and attracts interest at 2.5% p.a above the banks base rate. | | |
| 16 Provisions for Liabilities and Charges | 2002 | 2001 |
| | £ | £ |
| | | as restated |
| Pension provision | | |
| At 1st April 2001 | 52,798 | 44,728 |
| Transfer from profit and loss account | 15,637 | 8,070 |
| At 31st March 2002 | (a) <u>68,435</u> | <u>52,798</u> |
| Deferred taxation | | |
| Accelerated capital allowances | 42,166 | 38,067 |
| Excess of pension provisions over contributions | (20,531) | (15,839) |
| | (b) <u>21,635</u> | <u>22,228</u> |
| Deferred tax liability at start of year | 22,228 | 15,419 |
| Deferred tax (credit)/charge for year (note 7) | (593) | 6,809 |
| Deferred tax liability at end of year | <u>21,635</u> | <u>22,228</u> |
| Total Provision for Liabilities and Charges | (a & b) <u>90,070</u> | <u>75,026</u> |

Douglas & Gordon Limited
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For the year ended 31st March 2002 (continued)

17 Charges on Assets

There is a specific charge over all freehold and leasehold properties and a fixed and floating charge over the undertaking and all other property and assets to secure bank borrowings.

18 Share Capital

| | 2002 £ | 2001 £ |
|-------------------------------------|----------------|----------------|
| Authorised: | | |
| Ordinary shares of £1 each | 303,685 | 580,000 |
| 'A' Ordinary shares of £1 each | 210,006 | - |
| 'B' Ordinary shares of £1 each | 66,309 | - |
| | <u>580,000</u> | <u>580,000</u> |
| Called up, allotted and fully paid: | | |
| Ordinary shares of £1 each | - | 276,315 |
| 'A' Ordinary shares of £1 each | 210,006 | - |
| 'B' Ordinary shares of £1 each | 66,309 | - |
| | <u>276,315</u> | <u>276,315</u> |

During the year the authorised and issued ordinary share capital was sub-divided as shown.

19 Reconciliation of Shareholders' Funds

| | Share Capital £ | Profit and Loss Account £ | Share Premium Account £ | Total £ |
|---|-----------------------|---------------------------------|----------------------------------|------------------|
| 2002 | | | | |
| At 1st April 2001 | 276,315 | 1,147,989 | 8,685 | 1,432,989 |
| FRS 19 adjustment for deferred taxation of prior years | - | (1,162) | - | (1,162) |
| As restated | 276,315 | 1,146,827 | 8,685 | 1,431,827 |
| Retained profit for the period | - | 85,162 | - | 85,162 |
| At 31st March 2002 | <u>276,315</u> | <u>1,231,989</u> | <u>8,685</u> | <u>1,516,989</u> |
| | | | | |
| | Share Capital £ | Profit and Loss Account £ | Share Premium Account £ | Total £ |
| 2001 | | | | |
| At 1st April 2000 | 26,315 | 1,175,664 | 8,685 | 1,210,664 |
| FRS 19 adjustment for deferred taxation of prior years | - | 5,647 | - | 5,647 |
| As restated | 26,315 | 1,181,311 | 8,685 | 1,216,311 |
| Loss for the financial year | - | (34,484) | - | (34,484) |
| New share capital issued | 250,000 | - | - | 250,000 |
| At 31st March 2001 | <u>276,315</u> | <u>1,146,827</u> | <u>8,685</u> | <u>1,431,827</u> |

20 Ultimate Holding Company

The company is a subsidiary of The Eggar Forrester Group Limited. A copy of the group accounts can be obtained from the Company Secretary, The Eggar Forrester Group Limited, Rodwell House, Middlesex Street, London E1 7HJ.

Douglas & Gordon Limited

Notes to the Financial Statements

For the year ended 31st March 2002 (continued)

21 Eggar, Forrester Centenary Pension Scheme

The company is a member of this Scheme.

The Eggar, Forrester Centenary Pension Scheme is a funded defined benefit arrangement. The pension cost and provision are assessed in accordance with the advice of an independent professionally qualified actuary who completed a formal provision actuarial valuation of the Scheme as at 31st March 2001. The actuarial valuation was based on the projected unit method and the following long-term assumptions:

| | % per annum |
|--------------------------|----------------|
| Price inflation | 2.50 |
| Earnings escalation | 4.50 |
| Deductions from salary | 2.50 |
| Limited price indexation | 2.50 |
| Investment return | 5.50 |

The market value of the assets of the Scheme as at the valuation date, net of the assets in respect of Additional Voluntary Contributions, was £4,775,000 and the level of funding was 105%. The surplus is being utilised by a reduction in contributions until 31st March 2005.

As regards the company, the pension cost charge for the year was £150,077 (2001 - £128,988) and the pension provision at the end of the year was £68,435 (2001 - £52,798).

The next formal actuarial valuation of the Scheme will be at 31st March 2004.

Transitional disclosures under FRS 17 para 94(a):

The following disclosures relating to the consolidated entity of the company's ultimate holding company are given for information purposes only and have not been included in any of the group's primary financial statements:

The disclosures relate to the balance sheet position at 31st March 2002 and have been based on the latest full actuarial valuation.

The financial assumptions used are set out in the table below:

| | | % per annum |
|--|--------------|----------------|
| Inflation | | 2.50 |
| Rate of increase in salaries | | 4.50 |
| Rate of increase of pensions in payment and in deferment | | 2.50 |
| Discount rate | | 5.75 |
| The fair value of assets | £'000 | % |
| Equities | 3,870 | 61 |
| Bonds | 505 | 8 |
| Property | 51 | 1 |
| Annuity policies | 539 | 8 |
| Cash | 1,409 | 22 |
| Total | 6,374 | 100 |
| Net Pension Asset/(Liability) | £'000 | |
| Fair value of Scheme assets | 6,374 | |
| Actuarial value of Scheme liabilities | 6,224 | |
| Surplus in the Scheme | 150 | |
| Deferred tax | 45 | |
| Net pension asset | 105 | |

Douglas & Gordon Limited
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For the year ended 31st March 2002 (continued)

22 Commitments

a) Material Commitments to Term Lease Rental Payments

Operating lease rentals payable in 2001/2002 relating to commitments expiring:

| | 2002 | | 2001 | |
|-----------------------|-----------------------|----------------|-----------------------|----------------|
| | Land and Buildings | Other | Land and Buildings | Other |
| | £ | £ | £ | £ |
| Within 1 year | - | 60,820 | - | 3,462 |
| Between 2 and 5 years | 35,000 | 300,627 | 35,000 | 283,531 |
| After 5 years | 336,188 | - | 250,415 | - |
| | <u>371,188</u> | <u>361,447</u> | <u>285,415</u> | <u>286,993</u> |

b) Capital Commitments

The directors have authorised future capital expenditure which amounts to:

| | 2002 | 2001 |
|----------------|---------------|----------------|
| | £ | £ |
| Contracted for | <u>22,166</u> | <u>364,242</u> |

23 Material Related Party Transactions

The company is controlled by Mrs J.A. Talbot Willcox. It is a 76% subsidiary of The Eggar Forrester Group Limited.

During the year the company made/(received) the following charges to/(from) group companies for services it supplied/(received):

| | | 2002 | 2001 |
|---------------------|---|-----------|----------|
| | | £ | £ |
| Management charges: | The Eggar Forrester Group Limited (EFG) | (132,046) | (15,000) |
| Management charges: | Eggar, Forrester (Agency) Limited (EFA) | 10,000 | 10,000 |
| Commission charges: | Eggar, Forrester Financial Services Limited (EFS) | 9,124 | 24,831 |
| Management charges: | Eggar, Forrester (Holdings) Limited (EFH) | - | (64,508) |

During the year the company paid/(received) the following amounts for group relief

| | | |
|---------------------------------|---------------|---------------|
| C.W. Kellock & Co Limited (CWK) | (16,951) | 51,091 |
| Eggar Forrester Limited (EF) | 15,714 | - |
| EFG | 734 | - |
| EFH | - | 67,352 |
| EFFS | <u>49,948</u> | <u>14,590</u> |

The company owed the following amounts for group relief at 31st March 2002:

| | | |
|------|---------------|---------------|
| EF | - | 14,401 |
| CWK | - | 6,587 |
| EFFS | <u>92,000</u> | <u>64,800</u> |

At 31st March 2002 the company was owed/(owed) the following amounts by/(to) group companies:

| | | |
|------|-------------|----------------|
| EFA | 1,700 | 4,637 |
| EFFS | 24,324 | 24,789 |
| EFG | (150,670) | (52,526) |
| EFH | <u>(94)</u> | <u>(4,152)</u> |

Douglas & Gordon Limited
Notes to the Financial Statements
For the year ended 31st March 2002 (continued)

23 Material Related Party Transactions (continued)

To 14th March 2002 the company rented an office at 21 Milner Street, London, SW3 2QD, from The Eggar, Forrester Centenary Pension Scheme paying £100,000 p.a. (2001 - £100,000). The company acted as sales agent on the disposal of the property and earned a market rate commission of £29,375 (including VAT) on the transaction.

EFG leased offices to the company at various locations at market rates amounting to £45,288 p.a. (2001 - £45,288). As part of its own trading activities the company managed properties for EFG charging market level of commission of £2,234 (2001 - £2,596).

Grainger Trust plc group (GT) and Northumberland & Durham Property Trust Limited (N&D) are related parties as some of the close family of Mr I.N.P. Dickinson, a director of Douglas & Gordon Limited, are directors of companies within that group or of N&D.

The company had the following transactions with these companies:-

From 11th April 2001 the company rented an office at 67/68 Warwick Square, London SW1V 2AR from GT at market rates paying £100,000 per annum.

From 11th April 2001 the company rented garages at 74 Eccleston Mews, London SW1 from N&D at market rates paying £10,000 per annum.

The company has paid £175,000 to GT as a contribution to refurbishment works at 67/68 Warwick Square.

As part of its own trading activities the company managed and sold properties at arms length for GT/N&D charging market level of commission of £112,931 (2001 - £108,853). At 31st March 2002 the company was owed £7,287 (2001 - £38,070).

24 Post Balance Sheet Events

On 1st April 2002, the company paid a dividend of £1,232K on the 'A' ordinary shares and transferred the whole of its business, assets and liabilities to a new 100% subsidiary of The Eggar Forrester Group Limited (EFG) at net asset value of £285K. The company changed its name to Douglas & Gordon (2) Limited and became dormant. The new company changed its name to Douglas & Gordon Limited and was recapitalised by EFG subscribing £1,232K for new ordinary shares. The purpose of the transfer was to enable the operation of a new share incentive scheme (AESIP).

The Eggar Forrester Group Limited (EFG) formed an Employee Benefit Trust (EBT) on 5th July 2002 for the purposes of providing group employee benefits and administering an All Employee Share Incentive Plan (AESIP). Under the terms of the AESIP, the EBT offered selected group executives, ratchet tracker shares in The Employee Controlled Company Limited (ECC), an unconsolidated entity, which invested in special rights shares which will control 10% of the new company provided that performance related incentive targets are met. The shares were offered at market value. Under the terms of the AESIP, the EBT also offered selected group executives tracker shares in the ECC, which invested in special rights shares in EFG which control 8 1/2% of the new company. The shares were offered at market value.