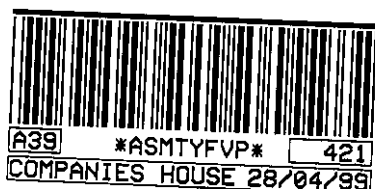


Company Number: 32052

Chantrey Vellacott DFK

**THE PHOENIX PROPERTY
AND INVESTMENT
COMPANY, LIMITED**

**Financial Statements
30 September 1998**



THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Financial statements for the year ended 30 September 1998

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THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Directors, officers and advisers

Directors

J. Brock, M.A. (Cantab) (Chairman)

M. Vass

Mrs. A.J.H. Birkert, B.A. (Hons.)

Secretary

M. Vass

Registered Office

Russell Square House

10-12 Russell Square

London WC1B 5LF

Auditors

Chantrey Vellacott DFK

Russell Square House

10-12 Russell Square

London WC1B 5LF

Bankers

National Westminster Bank plc

67 High Street

Sevenoaks

Kent

TN13 1LA

Solicitors

Penningtons

Bucklersbury House

83 Cannon Street

London

EC4N 8PE

Chantrey Vellacott DFK

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notice of Annual General Meeting

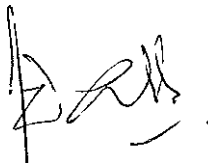
Notice is hereby given that the one hundred and ninth Annual General Meeting of The Phoenix Property and Investment Company, Limited will be held at Russell Square House, 10-12 Russell Square, London WC1 on 22 April 1999 at 12 noon to transact the following business:

1. To receive the reports of the directors and auditors and the financial statements for the year ended 30 September 1998.
2. To declare dividends on the Ordinary shares and on the Founders' shares.
3. To re-elect a director retiring by rotation.
4. To reappoint the auditors and authorise the directors to fix their remuneration.

By order of the Board

M. VASS

Secretary



17 March 1999

Registered Office:
Russell Square House
10-12 Russell Square
London WC1B 5LF

NOTE: A member entitled to attend and vote at a general meeting of the company is entitled to appoint a proxy to attend and vote instead of him, and that proxy need not also be a member.

Chantrey Vellacott DFK

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Directors' report for the year ended 30 September 1998

The directors present their report and the audited financial statements for the year ended 30 September 1998.

Activities

The principal activity of the company continued to be property investment.

Review of business

This year was the first for a number of years which has been unaffected by property acquisitions or disposals. The increase in rents receivable reflects a full year's rental income on the Taunton properties acquired during the year to 30 September 1997 and a successful rent review on one of the Lewes properties.

The full results are shown in the profit and loss account on page 7.

Future developments

The directors regularly review the property portfolio to ensure it is structured in the best way to take advantage of the changing property market.

Dividends

An interim dividend was paid on 22 October 1998 of £60,060. A final dividend of £102,300 is proposed payable on 22 April 1999. Details of dividends on ordinary shares and the comparable amounts on Founders' shares are given in note 6 to the financial statements.

Fixed assets

The movements in tangible assets and investments are disclosed in notes 7 and 8 to the financial statements.

Attention is drawn to the accounting policy on realisation of fixed assets as stated in note 1(d).

Interests in land

Having consulted their professional advisers, the directors have carried forward the properties at a valuation of £4,265,000 which they consider represents the market value of the portfolio at the balance sheet date.

Year 2000

The company is not heavily dependent on information systems but a review of all significant business processes is being carried out to ensure that the information systems supporting them are Year 2000 compliant. This review will include seeking assurances from the company's property agents and other professional advisers that they too are Year 2000 compliant.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Directors' report for the year ended 30 September 1998

Directors

The directors who served during the year were:

J. Brock, M.A. (Cantab) (Chairman)

M. Vass

Mrs. A.J.H. Birkert, B.A. (Hons)

Directors' interests in shares

The following were the beneficial interests of the directors in the shares of the company throughout the financial year:-

	Founders' shares	Ordinary shares
J. Brock	100	1,742
M. Vass	100	1,355
Mrs. A.J.H. Birkert	150	2,069

Mrs. A.J.H. Birkert also had a non-beneficial interest in 50 Founders' shares and 625 Ordinary shares at 1 October 1997 and in 50 Founders' shares and 575 Ordinary shares at 30 September 1998.

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 year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Directors' report for the year ended 30 September 1998

Auditors

A resolution concerning the reappointment of Chantrey Vellacott DFK as auditors of the company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

M. VASS



Director/Secretary

4 February 1999

Chantrey Vellacott DFK

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Auditors' report to the members of The Phoenix Property and Investment Company, Limited

We have audited the financial statements on pages 7 to 15 which have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and 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 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 the 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 30 September 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


CHANTREY VELLACOTT DFK

**Chartered Accountants
Registered Auditors**

LONDON

Date: 9 March 1999

Chantrey Vellacott DFK

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Profit and loss account

For the year ended 30 September 1998

	Notes	1998 £	1997 £
Rents receivable		347,697	314,944
Outgoings on properties		(15,411)	(20,165)
Net income from properties		332,286	294,779
Administrative expenses		(52,709)	(50,141)
Operating profit		279,577	244,638
Surplus on disposal of fixed assets	2	5,799	64,264
Income from fixed asset investments	3	4,572	7,391
Interest receivable	3	1,190	11,909
Interest payable	3	(199)	(311)
Profit on ordinary activities before taxation	3	290,939	327,891
Tax on profit on ordinary activities	5	(61,796)	(88,159)
Profit for the financial year		229,143	239,732
Dividends	6	(162,360)	(162,360)
Profit retained for the year		66,783	77,372
Statement of retained profits			
Profit retained for the year		66,783	77,372
Transfer of realised profits			
on properties	12(a)	-	69,496
on investments	12(b)	8,102	26,204
		74,885	173,072
Retained profits brought forward		4,044,238	3,871,166
Retained profits carried forward		4,119,123	4,044,238

The movements on the revaluation reserve relating to properties and the unrealised appreciation on investments reserve are shown in note 12 on page 15.

None of the company's activities was acquired or discontinued during the above two financial years.

The notes on pages 10 to 15 form part of these financial statements.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Statement of total recognised gains and losses For the year ended 30 September 1998

	1998 £	1997 £
Profit for the financial year	229,143	239,732
Unrealised gains/(losses) on revaluations for the financial year -		
Properties	-	(28,993)
Investments	(15,923)	29,582
Total gains and losses recognised since last financial statements	213,220	240,321

The above movements in gains and losses are derived from the Reserve accounts as shown in Notes 12(a) and 12(b) on page 15.

Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Total gains and losses recognised since last financial statements	213,220	240,321
Dividends	(162,360)	(162,360)
Net addition to shareholders' funds	50,860	77,961
Opening shareholders' funds	4,191,008	4,113,047
Closing shareholders' funds	4,241,868	4,191,008

Note of historical cost profits and losses

	1998 £	1997 £
Reported profit on ordinary activities before taxation	290,939	327,891
Realisation of property and investment revaluation gains of previous years	8,102	95,700
Historical cost profit for the year on ordinary activities before taxation	299,041	423,591
Historical cost profit retained for the year after taxation and dividends	74,885	173,072

The notes on pages 10 to 15 form part of these financial statements.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

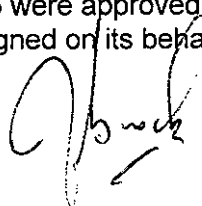
Balance sheet as at 30 September 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	7	4,265,000	4,265,000
Investments	8	153,995	182,178
		<u>4,418,995</u>	<u>4,447,178</u>
Current assets			
Debtors	9	50,177	56,980
Cash at bank		83,230	53,444
		<u>133,407</u>	<u>110,424</u>
Creditors: amounts falling due within one year	10	<u>(310,534)</u>	<u>(366,594)</u>
Net current liabilities		<u>(177,127)</u>	<u>(256,170)</u>
Net assets		<u>4,241,868</u>	<u>4,191,008</u>
Capital and reserves			
Called up share capital	11	10,000	10,000
Revaluation reserve - Properties	12(a)	79,279	79,279
Unrealised appreciation on investments reserve	12(b)	33,466	57,491
Profit and loss account		4,119,123	4,044,238
Shareholders' funds		<u>4,241,868</u>	<u>4,191,008</u>

The financial statements on pages 7 to 15 were approved by the board of directors on 4 February 1999 and were signed on its behalf by:

J. BROCK

Director



The notes on pages 10 to 15 form part of these financial statements.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 1998

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared in accordance with the Companies Act 1985 and applicable accounting standards using the historical cost basis of accounting, as modified by the revaluation of fixed assets.

(b) Freehold and long leasehold land and buildings

Freehold and long leasehold land and buildings are stated in the balance sheet at open market value and any resulting surplus over cost is transferred to the revaluation reserve.

No provision is made for tax which would arise on capital gains if the properties were sold at open market value at the balance sheet date.

(c) Listed investments

Listed investments are stated in the balance sheet at middle market values at the balance sheet date. The amount by which the valuation of investments exceeds their book value is shown under reserves as unrealised appreciation on investments.

No provision is made for tax which would arise on capital gains if the investments were sold at their market value at the balance sheet date.

(d) Realisation of fixed assets

In accordance with FRS3, the profit or loss on disposal of a fixed asset is accounted for in the profit and loss account of the period in which the disposal occurs as the difference between the sale proceeds and the net carrying amount, whether carried at historical cost or at a valuation. Any valuation surplus on such asset, by which the net carrying amount exceeds historical cost, is released, on disposal, from the relevant reserve and shown as realised profit in the statement of retained profits.

(e) Taxation

Current and deferred taxation is based on the profit for the year and includes all taxation liabilities accruing to the date of these financial statements.

Deferred taxation is provided under the liability method in respect of timing differences between the profit as shown in the financial statements and profit as computed for tax purposes to the extent that it is probable that a taxation liability or asset will crystallise.

(f) Value added tax

On 1 April 1996 the company registered for value added tax and elected to waive exemption on a property acquired during that year. The input tax on services relating to this property is therefore recoverable. However, the input tax on services relating to the company's other properties is not recoverable, and the amount of such tax is included with the relevant expenditure.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 1998

2.	Surplus on disposal of fixed assets	1998	1997
		£	£
	Surplus on disposal of fixed assets based on carrying value:		
	Properties	-	55,534
	Listed investments	5,799	8,730
		<u>5,799</u>	<u>64,264</u>
3.	Profit on ordinary activities before taxation	1998	1997
		£	£
	This is stated after crediting:		
	Income from listed investments -		
	Franked U.K. dividends	4,572	7,221
	Unfranked income	-	170
		<u>4,572</u>	<u>7,391</u>
	Interest receivable -		
	Bank deposit interest	566	11,208
	Other	624	701
		<u>1,190</u>	<u>11,909</u>
	and after charging:		
	Interest payable -		
	On bank overdraft	199	311
		<u>199</u>	<u>311</u>
	Directors' emoluments:		
	Fees	23,320	19,250
	Other	-	1,030
		<u>23,320</u>	<u>20,280</u>
	Auditors' remuneration	5,825	5,654
4.	Employee information		
	There were no employees with contracts of service with the company and all of the directors were non executive.		

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 1998

5.	Taxation	1998 £	1997 £
(a)	United Kingdom corporation tax based on the profits for the year at an effective rate of 21% (1997 : 24.5%)	(61,250)	(86,000)
	Tax attributable to franked investment income	(912)	(1,492)
	Transfer from deferred taxation	-	825
	Over/(under) provision in previous years	366	(1,492)
		<u>(61,796)</u>	<u>(88,159)</u>

(b)	Deferred taxation	1998 Amount unprovided £	1998 Amount provided £	1997 Amount unprovided £	1997 Amount provided £
	Accelerated capital allowances	-	-	3,977	-
	Advance corporation tax recoverable	-	(14,864)	-	(40,163)
		<u>-</u>	<u>*(14,864)</u>	<u>3,977</u>	<u>*(40,163)</u>

*This amount is included in debtors as a deferred asset (note 9)

Movement during the year:

	1998 £	1997 £
At 1 October 1997	(40,163)	(37,954)
(Credit)/charge to profit and loss account	-	(825)
Movement in advance corporation tax recoverable	25,299	(1,384)
At 30 September 1998	<u>(14,864)</u>	<u>(40,163)</u>

- (c) **Potential taxation on disposal of fixed assets**
No material tax liability would arise on the disposal of properties and listed investments at their valued amounts (see accounting policy notes 1(b) and 1(c)).

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 1998

6. Dividends		1998		1997
	£ per share	£	£ per share	£
Founders' shares				
- interim	42.621	29,835	42.621	29,835
- proposed final	73.071	51,150	73.071	51,150
	<u>115.692</u>	<u>80,985</u>	<u>115.692</u>	<u>80,985</u>
Ordinary shares				
- interim	3.250	30,225	3.250	30,225
- proposed final	5.500	51,150	5.500	51,150
	<u>8.750</u>	<u>81,375</u>	<u>8.750</u>	<u>81,375</u>
Total dividends for the year		<u>162,360</u>		<u>162,360</u>

7. Tangible fixed assets			
	Freehold £	Long leasehold £	Total £
Land and buildings at cost:			
At 1 October 1997 and 30 September 1998	<u>2,611,839</u>	<u>1,573,882</u>	<u>4,185,721</u>
At valuation:			
At 1 October 1997	2,735,000	1,530,000	4,265,000
Increase/(decrease) in valuation at 30 September 1998	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 1998	<u>2,735,000</u>	<u>1,530,000</u>	<u>4,265,000</u>

The company's property portfolio at 30 September 1998 was valued by the directors having taken professional advice.

The non-provision of depreciation on freehold and long leasehold properties is in accordance with SSAP 19 but constitutes a departure from the provisions contained in the Companies Act. This departure is necessary to enable the financial statements to give a true and fair view and is required by Section 226(5) of the Companies Act 1985.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 1998

8.	Investments	£
	Movements during the year, at cost:	
	At 1 October 1997	124,687
	Additions	23,361
	Disposals	(27,519)
	At 30 September 1998	<u>120,529</u>

Holdings at year end:

	1998		1997	
	Cost £	Market value £	Cost £	Market value £
Equities (U.K. companies)	105,333	136,085	109,491	163,669
Equities (European companies)	10,296	11,482	10,296	11,409
Unit trusts	4,900	6,428	4,900	7,100
	<u>120,529</u>	<u>153,995</u>	<u>124,687</u>	<u>182,178</u>

All investments held at 30 September 1998 were listed or otherwise dealt with on a recognised stock exchange.

See also Note 1(c).

9.	Debtors	1998	1997
		£	£
	Sundry debtors	35,313	16,324
	Prepayments	-	493
	Deferred asset (note 5(b))	14,864	40,163
		<u>50,177</u>	<u>56,980</u>

The deferred asset is due after more than one year.

THE PHOENIX PROPERTY AND INVESTMENT COMPANY, LIMITED

Notes to the financial statements For the year ended 30 September 1998

10.	Creditors: amounts falling due within one year	1998	1997
		£	£
	Interim and proposed final dividends (note 6)	162,360	162,360
	Taxation	24,899	51,096
	Advance corporation tax	14,864	40,163
	Accruals and deferred income	108,411	112,975
		<u>310,534</u>	<u>366,594</u>
11.	Called up share capital	1998	1997
		£	£
	Authorised, allotted, called up and fully paid:		
	700 Founders' shares of £1 each	700	700
	9,300 Ordinary shares of £1 each	9,300	9,300
		<u>10,000</u>	<u>10,000</u>

The Founders' shares and Ordinary shares have different rights as to dividends. The Ordinary shareholders have a first charge on the dividends payable for a year of 4.2 pence per share. The balance of the dividends is payable 50% to the Founders' shareholders and 50% to the Ordinary shareholders.

12.	(a) Revaluation reserve - properties	1998	1997
		£	£
	Balance at 1 October 1997	79,279	177,768
	Transfer of realised profits attributable to disposals during year	-	(69,496)
	Decrease in valuation at 30 September 1998	-	(28,993)
	Balance at 30 September 1998	<u>79,279</u>	<u>79,279</u>
	(b) Unrealised appreciation on investments reserve	1998	1997
		£	£
	Balance at 1 October 1997	57,491	54,113
	Transfer of realised profits attributable to disposals during year	(8,102)	(26,204)
	(Decrease)/increase in value during year	(15,923)	29,582
	Balance at 30 September 1998	<u>33,466</u>	<u>57,491</u>

13. **Close company**
The close company provisions of the Income and Corporation Taxes Act 1988 apply to this company.