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**CHESTERFIELD HOUSE
MANAGEMENT LIMITED
FINANCIAL STATEMENTS
31ST MARCH 1999**

Company Registration Number 1641970

S W FRANKSON & CO

Chartered Accountants & Registered Auditors

Bridge House

Station Road

Hayes

Middlesex

UB3 4BT



CHESTERFIELD HOUSE MANAGEMENT LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 1999

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CHESTERFIELD HOUSE MANAGEMENT LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

Mr C H George - Chairman
Mr P T Fenwick - Deputy Chairman
Dr D V Atterton
Sir H Moore
Mr D Sullivan
Mr D Roberts

Company Secretary

Stuart T Jones

Registered Office

Chesterfield House
South Audley Street
London
W1Y 5TB

Auditors

S W Frankson & Co
Chartered Accountants
& Registered Auditors
Bridge House
Station Road
Hayes
Middlesex
UB3 4BT

Bankers

Lloyds Bank PLC
14 Berkeley Square
London
W1X 6BJ

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTICE OF MEETING

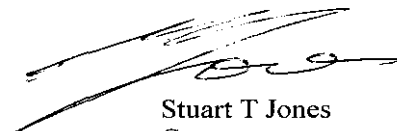
Notice is hereby given that the Annual General Meeting of the company will be held at 6 p.m. on Tuesday, 6 July 1999 at the Finlay Room, Lansdowne Club, 9 Fitzmaurice Place, Berkley Square, London W1X 6JD for the following purposes: .

1. To receive and adopt the directors' report and financial statements for the year ended 31st March 1999.
2. To re-appoint S W Frankson & Co as auditors and to authorise the directors to fix their remuneration.
3. (a) To pass the following special resolution: that 'Clause 14(1) of the Articles of Association shall be amended to increase the number of directors from six to eight'.
(b) Subject to Resolution 3(a) being passed, to elect Miss F Belle - Cisneros as a director of the company.
(c) Subject to Resolution 3(a) being passed, to elect Sir Colin Corness as a director of the company.
(d) To elect Mr D Roberts, who was appointed to the Board during the course of the year ended on 31st March 1999, as a director of the company.
(e) To Re-elect Sir Harry Moore as a director of the company.

Registered office:

Chesterfield House
South Audley Street
London
W1Y 5TB

By order of the board



Stuart T Jones
Company secretary
31 May 1999

Notes:

- a. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the company.
- b. A form of proxy is enclosed with this notice for your use in respect of the business set out above. To be effective, the form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified or an office copy of such power of authority) must be lodged at the company's registered office at least forty-eight hours before the time appointed for the meeting.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

CHAIRMAN'S STATEMENT

YEAR ENDED 31ST MARCH 1999

I sent a detailed newsletter to all lessees in January last so I will not repeat much of what I said at that time.

Following the changes in management that took place this fiscal year, your Board decided to make this past year one of consolidation, planning and preparation. The new General Manager has settled into his role and we are now in a position to move ahead in the current year and commence our programme of major works and improvements. Our finances are strong, thanks to past prudence, and we are embarking upon this important programme of development and improvement with confidence. I am therefore able to report that 1998/99 has been a successful year.

ACCOUNTS

Once again, these are presented in virtually the same form as last year. At 31 March 1999 our losses carried forward for taxation purposes amounted to £530,309 (£555,964) and S W Frankson & Co have agreed with the Inland Revenue all our taxation computations up to and including the year to 31 March 1998.

FINANCIAL POSITION

During the past financial year we retained our holdings in Gilts. These cost £983,809 in January 1998 and were valued on 31 March 1999 at £1,076,142. The interest earned during this period was £69,446. It is expected that we shall have to reduce our position during the course of this financial year in order to fund the first phase of our major renovation programme. Our current programme of major works will also involve running down our liquid assets over the following two years. We do not envisage, however, short of some catastrophe, that we shall need to spend substantial sums on major maintenance for some time after that and hopefully this will enable us to start rebuilding our liquid assets over time.

Our cash balances at the year-end, together with the value of these Gilts at cost amounted to £1,238,130 (£1,420,069). Cash balances at 31 March 1999 with Gilts at market value at the same date would increase this figure to £1,330,463 (£1,428,839).

SERVICE CHARGE

Service Charge demands for 1999/2000 were sent out as usual in March. The total Service Charge expenditure estimated for the current year is £481,250. Actual expenditure for 1998/99 was £456,038. For 1999/2000 we asked for £450,000 and will make good any shortfall out of our investment income. This maintains the record of applying only modest increases in Service Charge demands in recent years.

OPERATIONS

During the past financial year your Board decided to concentrate on future planning rather than trying to start any major projects. The exception to this was the refurbishment of flat 34, which had been used for some years as a staff flat. When the previous General Manager left, flat 34 became available and we decided to refurbish and rent rather than sell this valuable asset. This project was completed at the end of April 1999 and cost £90,000. Included in these costs are the furnishings as well as conversion into a two bedroom two bathroom flat. We expect to receive around £550 to £600 per week as a rented property.

A number of minor projects were completed in this financial year. These include new lift alarms, the installation of the smoke/heat detectors and a video entry system, removal of the old oil storage tanks to enable the creation of a large indoor store for materials, and painting and re-furnishing of the Boardroom. The new canteen was also completed.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

CHAIRMAN'S STATEMENT (CONTINUED)

YEAR ENDED 31ST MARCH 1999

OPERATIONS (continued)

I should now like to comment briefly on our major works projects for the 1999/2000 financial year. You were of course advised in some detail of these both in our January letter to lessees and in our March Service Charge demand. The wall paper and curtain works are under way and should be completed by the end of July. Fixing the steel windows has started and will continue into the beginning of year 2000. This approach has proven to be more popular than the complete double-glazing of the entire building, as was at one time contemplated.

Finally, as the first phase of our planned maintenance throughout Chesterfield House, the major works on the Chesterfield Gardens block is now in hand.

This includes a new roof as well as restoration of the outside of all windows, pipe work and masonry on the front, back and side elevations of the building.

STAFF

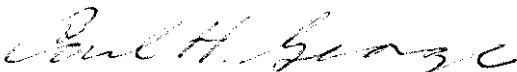
Mr David Morgan left Chesterfield House Management Limited at the end of May 1998.

Mr Stuart Jones, our new General Manager, has settled in extremely well since taking over on 1 July 1998. The Directors work very closely with him and our view is that the building is now being managed to the satisfaction of the vast majority of the lessees.

GARDENS

Our gardens continue to give great pleasure to all of us. We have managed to reduce costs somewhat and Mrs Fenwick has again contributed her most effective supervision to this very important feature of our building.

Finally I should again like to thank our Staff for the part they play in keeping Chesterfield House among the top prestigious residential buildings in Mayfair.



Carl George
Chairman

31 May 1999

CHESTERFIELD HOUSE MANAGEMENT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST MARCH 1999

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of managing the property of Chesterfield House for the benefit of its residents.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The payment of dividends is expressly forbidden by clause 4 of the Memorandum of Association.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £1 each	
		At 31 March 1999	At 1 April 1998 or later date of appointment
Mr C H George		1	1
Mr P T Fenwick		1	1
Dr D V Atterton		1	1
Sir H Moore		1	1
Mr D Sullivan		1	1
Mr D Roberts	(Appointed 19 October 1998)	1	1
Miss F Belle - Cisneros	(Retired 22 June 1998)		

The company maintains liability insurance for its directors and officers as permitted by Section 310 (3) of the Companies Act 1985.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 11, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

THE DIRECTORS' REPORT *(continued)*

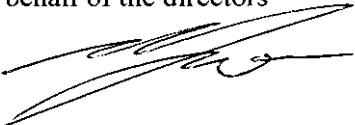
YEAR ENDED 31ST MARCH 1999

AUDITORS

A resolution to re-appoint S W Frankson & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

S T Jones
Secretary



Approved by the directors on 31 May 1999

CHESTERFIELD HOUSE MANAGEMENT LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST MARCH 1999

We have audited the financial statements on pages 8 to 13 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999), under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on page 11.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 5, 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 to report our opinion to you.

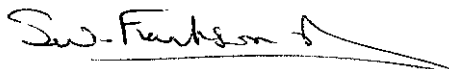
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 company's state of affairs as at 31st March 1999 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



S W FRANKSON & CO
Chartered Accountants
& Registered Auditors
Bridge House
Station Road
Hayes
Middlesex
UB3 4BT

31 May 1999

CHESTERFIELD HOUSE MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST MARCH 1999

	Note	1999 £	1998 £
INCOME		534,545	506,225
Service charge expenses		456,038	429,649
		<u>78,507</u>	<u>76,576</u>
Repairs and maintenance		179,070	301,252
Administrative expenses		<u>31,955</u>	<u>23,711</u>
OPERATING LOSS	2	(132,518)	(248,387)
Income from other fixed asset investments	5	-	50,500
Interest receivable		<u>87,378</u>	<u>87,233</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(45,140)	(110,654)
Tax on loss on ordinary activities		-	-
LOSS FOR THE FINANCIAL YEAR		<u>(45,140)</u>	<u>(110,654)</u>

The notes on pages 11 to 13 form part of these financial statements.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

YEAR ENDED 31ST MARCH 1999

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999	1998
	£	£
Loss for the financial year attributable to the shareholders	(45,140)	(110,654)
Unrealised profit on revaluation of properties	235,000	122,265
Total gains and losses recognised since the last annual report	<u>189,860</u>	<u>11,611</u>

The notes on pages 11 to 13 form part of these financial statements.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

BALANCE SHEET

31ST MARCH 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	6	1,797,905	1,500,250
CURRENT ASSETS			
Debtors	7	18,392	22,547
Investments	8	983,809	983,809
Cash at bank and in hand		254,321	436,260
		<u>1,256,522</u>	<u>1,442,616</u>
CREDITORS: Amounts falling due within one year	9	<u>(187,586)</u>	<u>(265,885)</u>
NET CURRENT ASSETS		<u>1,068,936</u>	<u>1,176,731</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,866,841</u>	<u>2,676,981</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	96	96
Revaluation reserve	13	1,279,333	1,044,333
Profit and loss account	14	1,587,412	1,632,552
SHAREHOLDERS' FUNDS		<u>2,866,841</u>	<u>2,676,981</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective March 1999).

These financial statements were approved by the directors on the 31 May 1999 and are signed on their behalf by:



C H George
Chairman

The notes on pages 11 to 13 form part of these financial statements.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 1999

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999).

Cash flow statement

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard No 1 - "Cash flow statements".

Turnover

Income consists of rents, interest and service charges receivable within the United Kingdom.

Investment properties

The company's remaining interest in the property has been treated as an investment property in accordance with Statement of Standard Accounting Practice No 19.

2. OPERATING LOSS

Operating loss is stated after charging:

	1999 £	1998 £
Auditors remuneration	<u>7,218</u>	<u>6,874</u>

3. PARTICULARS OF EMPLOYEES

Wage costs consist of:

Salaries and wages (staff, management & security)	205,621	183,492
Social security costs	<u>20,384</u>	<u>17,572</u>
	<u>226,005</u>	<u>201,064</u>

The average weekly number of full time employees during the year was 12 (1998 - 13).

4. TAXATION

No corporation tax arises this year due to the availability of losses for taxation purposes amounting to approximately £530,309 as at 31 March 1999 (1998 - £555,964).

5. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	1999 £	1998 £
Profit on sale of investment property re flat 82	<u>-</u>	<u>50,500</u>

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 1999

6. TANGIBLE FIXED ASSETS

	Investment property £
COST OR VALUATION	
At 1st April 1998	1,500,250
Additions	62,655
Revaluation	235,000
At 31st March 1999	<u>1,797,905</u>
DEPRECIATION	<u>-</u>
NET BOOK VALUE	
At 31st March 1999	<u>1,797,905</u>
At 31st March 1998	<u>1,500,250</u>

The company's interest in the freehold property known as Chesterfield House has been valued by the directors at open market value.

7. DEBTORS

	1999 £	1998 £
Prepayments	18,020	10,626
Other debtors	372	11,921
	<u>18,392</u>	<u>22,547</u>

8. INVESTMENTS

	1999 £	1998 £
Investments	<u>983,809</u>	<u>983,809</u>
These comprise:-		
Gilts - Treasury 7.75% 2006	486,041	486,041
- Conversion 9% 2011	497,768	497,768

The above investments are listed on the UK stock exchange and had a market value at 31 March 1999 of £1,076,142.

9. CREDITORS: Amounts falling due within one year

	1999 £	1998 £
Other creditors	141,070	114,540
Accruals and deferred income	46,516	151,345
	<u>187,586</u>	<u>265,885</u>

10. COMMITMENTS

There is a commitment of £304,058 (1998 - £Nil), at the year end, to perform major repairs.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 1999

11. TRANSACTIONS WITH THE DIRECTORS

All directors are members of the company and as such contribute to the service charges and ground rent on the same basis as all other members.

12. SHARE CAPITAL

Authorised share capital:

	1999 £	1998 £
100 Ordinary shares of £1 each	100	100

Allotted, called up and fully paid:

	1999 £	1998 £
Ordinary share capital brought forward	96	95
Issue of ordinary shares	-	1
	96	96

13. REVALUATION RESERVE

	1999 £	1998 £
Balance brought forward	1,044,333	997,552
Revaluation of fixed assets	235,000	122,265
Transfer to the profit and loss account on realisation	-	(75,484)
	1,279,333	1,044,333

14. PROFIT AND LOSS ACCOUNT

	1999 £	1998 £
Balance brought forward	1,632,552	1,667,722
Retained loss for the financial year	(45,140)	(110,654)
Transfer from revaluation reserve	-	33,084
Transfer from maintenance reserve re major repairs	-	42,400
Balance carried forward	1,587,412	1,632,552

15. MAINTENANCE RESERVE

Disposal of revalued property	-	42,400
Transfer to the profit and loss account	-	(42,400)
	-	-