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CHESTERFIELD HOUSE MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED

31 March 1997



CHESTERFIELD HOUSE MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS for the year ended 31 March 1997

Directors

Sir H Moore CBE (chairman)
Mr P T Fenwick OBE (deputy chairman)
Dr D V Atterton CBE MA PhD F Eng
Miss F Belle-Cisneros
Mr C H George (elected to the board on 1 October 1996)
Mrs M V Holdsworth ARCA (retired on 1 October 1996)
Mr D Sullivan

Secretary

Mr David E Morgan

Registered office

Chesterfield House Management Limited, South Audley Street, London,
W1Y 5TB.

Company numbers

Registration No. 1641970
Telephone No. (0171) 629 1541, (0171) 629 1545
Fax No. (0171) 499 4258

Auditors

S W Frankson & Co, Bridge House, Station Road, Hayes, Middlesex, UB3 4BT

CHESTERFIELD HOUSE MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS for the year ended 31 March 1997

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CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTICE OF MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of the company will be held at the Finlay Room, Lansdowne Club, 9 Fitzmaurice Place, Berkeley Square, London W1X 6JD, at 6 p.m. on Tuesday, 8 July 1997 for the following purposes:

1. To receive the Directors' report and the audited financial statements for the year ended 31 March 1997.
2. To re-elect Dr.D V Atterton CBE, MA, PhD F Eng. as a director of the company.
3. To re-elect Mr D Sullivan as a director of the company.
4. To confirm Mr C H George as a director of the company.
5. To re-appoint S W Frankson & Co. as auditors and to authorise the directors to agree their remuneration for the ensuing year.
6. To transact any other ordinary business of the company.

By order of the Board



D E Morgan

Company secretary

19 May 1997

Notes:

1. Members entitled to attend and vote at this meeting are entitled to appoint a proxy to attend and, in the event of a poll, vote instead of them. A proxy need not be a member of the Company.
2. A proxy form is enclosed (at page 2) for the use of members.
3. Completion of a proxy form does not prevent a member from attending the meeting.
4. Members wishing to nominate candidates, other than the retiring directors, for appointment as directors must deliver such nominations in writing to the office of the company at Chesterfield House, South Audley Street, London, W1Y 5TD, no later than 7 days before the date of the Annual General Meeting, together with the signed consent of their candidate to such nomination.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

Form of proxy

I/we the undersigned being the holder of one Ordinary Share of £1 in Chesterfield House Management Limited hereby appoint

or in default the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 8 July 1997 and at any adjournment thereof.

Annual General Meeting

For Against

Resolution 1	To adopt the directors' report and accounts for the year ended 31 March 1997	_____	_____
Resolution 2	To re-elect Dr.D V Atterton CBE,MA,PhD F Eng	_____	_____
Resolution 3	To re-elect Mr D Sullivan	_____	_____
Resolution 4	To confirm Mr C H George as a director	_____	_____
Resolution 5	To re-appoint S W Frankson & Co as auditors	_____	_____

Dated this _____ day of _____ 1997

Signature

(In block letters) Name

Address

Notes:

1. Please indicate how you wish your votes to be cast. If you do not indicate how you wish your proxy to use your vote on any particular matter the proxy will exercise discretion as to how to vote or whether to abstain from voting.
2. You may appoint any person, whether or not a member of the company, as your proxy, but in default of a specific appointment the chairman of the meeting will act as your proxy.
3. In the case of a Corporation the form of proxy must either be under its common seal or under the hand of an officer or attorney so authorised.
4. In the case of joint holders, only one need sign. The votes of the senior holder who tenders a vote will alone be counted.
5. To be valid this proxy must be completed, signed and deposited at the office of the company at Chesterfield House (together with any power of attorney or authority under which it is signed) at Chesterfield House, South Audley Street, London, W1Y 5TB, or handed to the General Manager not later than 1 July 1997.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

CHAIRMAN'S STATEMENT ACCOMPANYING THE FINANCIAL STATEMENTS

for the year ended 31 March 1997

The past year has not been an easy one but I think Chesterfield House is back on a stable basis after the problems caused by Mrs Powell's departure. Shareholders will know that she made an application to the Industrial Tribunal for unfair dismissal: and the case was heard in May and concluded in November of last year. The decision of the Tribunal was that the Board were fully justified in dismissing her as they did, but that we should pay the balance of three months salary in lieu of notice. It was an unpleasant case but satisfactory in that the Tribunal fully upheld the action of the Board. It was also, like most matters involving the law, very expensive. I regret to say, however, that she has lodged an appeal against the legality of the decision of the Tribunal. This will presumably be heard later in the year, and will involve further expense - though not, I hope, on the same scale as before.

Accounts

Once again, these are presented in virtually the same form as last year. At March 31 1997 our losses carried forward for taxation purposes amounted to £605,192 (£583,001): and S W Frankson & Co have agreed with the Inland Revenue all our taxation computations up to and including the year to March 31 1996.

As a result of last years operations, we have increased our Profit and Loss balance by £368. This figure would have been larger, had we not had to pay the sum of £31,460 in legal expenses in defending the case brought by Mrs Powell.

Financial position

This is substantially the same as it was last year, with our cash balances amounting at March 31 1997 to £1,216,567 (£1,197,937). During the year, we sold our holding of £1,050,000 Treasury 6% 1999 stock and placed the money in the money market fixed for twelve months at 6.125%. This matures on 30 October 1997.

During the year, a small flat occupied by the late Mrs J D Kovacs became vacant. Since the year end this has been sold for £212,000 and the proceeds of the sale will be added to our cash balances. We now have three unfurnished rented flats, and one large furnished rented flat.

Insurance

We have again been able to place all our insurances at a competitive cost, and are again fully covered against damage from terrorist activity. The cost of the latter has increased somewhat as compared with last year, and this will be reflected in next year's accounts.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

CHAIRMAN'S STATEMENT ACCOMPANYING THE FINANCIAL STATEMENTS

for the year ended 31 March 1997

Garage rent

The rent of the garage was due for review during the past year under a formula set out in the original 21 year lease. Carlile Associates acted for us in this matter, and an annual rent of £77,727 was agreed for the next five years.

Service charge

Service charge demands for 1997/1998 were sent out as usual in March. The total service charge expenditure for the current year is estimated at £406,260. Actual expenditure for 1996/97 was £399,078, so that the proposed subvention of £8,500 was not in fact needed. The service charge demand for 1996/97 amounted to £416,250.

This means that over the 6 years since 1990/1991 service charge expenditure has gone down by 4%, while year-on-year inflation (including a 2.5% increase in VAT in 1991) has gone up by 25%.

Operations

The major maintenance expenditure during the past year was to the six roof wings on the upper parts of the building in Chesterfield Gardens. This work went out to tender in August, and the contract was awarded to Outward Builders and Decorators Limited. I am glad to say that it was completed satisfactorily at the tender price. This general area will also receive the bulk of our expenditure in the current year.

After a decade of use, the walls and curtains of the public areas are beginning to look a little shabby. We are therefore planning to renew these in a phased operation, partly this year and partly next. We also plan to give lessees an opportunity to comment on the proposed re-decoration before a final decision is made.

Security has always been a top priority in Chesterfield House; and the whole of our camera and other surveillance systems have been replaced (with colour cameras) and upgraded during the past year. The old cameras were coming to the end of their useful life, and technology has changed considerably during the past few years. The total cost of the exercise was £45,336.

Your board has also agreed on another very important improvement to our internal safety, which is to up-date our whole fire alarm system. At present, the alarm only tells us which staircase is involved: and this can result in some delay in establishing the source of a fire. Titan Fire Alarms are in the process of re-wiring the whole building with the objective of placing detectors in each flat: and when completed, the duty porter will be able to locate the source of any fire immediately. The cost of all this will be about £50,003 inc. VAT, of which £3,129 was provided in the 1996/97 accounts.

CHAIRMAN'S STATEMENT ACCOMPANYING THE FINANCIAL STATEMENTS

for the year ended 31 March 1997

Operations (continued)

During the year the opportunity arose to enlarge and upgrade the bungalow flat occupied, on a service tenancy, by Mr & Mrs Sweeney. This was very cramped and did not provide very good quality accommodation. This work has now been completed at a cost of about £44,828 inc. VAT: and is a valuable addition to our staff accommodation.

Staff

Wally Huggins retired, at his request, at 3 January last at the age of 67. He was a very popular and well-liked figure, and we shall miss his friendly personality.

Two younger porters joined us during the year - Tom Gilsenan and Christopher Taylor - but the former left us after a few months to go back to Ireland.

We have reverted during the past year to a practice current in the days of the Prudential ownership of the building, which was to have an in-house maintenance porter. Mr Derek Geen joined us in this capacity towards the end of last year, and I believe it is proving to be a considerable help to residents to have someone always available on the premises during working hours.

Mr Peter Purdy has taken the place of Mr John Appleyard as caretaker and we have employed Mr Alan Moore as assistant caretaker. Between them they do all the cleaning in the building: and we have now totally dispensed with Metro Property Services Limited. Overall I think we are getting a much better service by employing our own staff rather than outside contractors.

Board

Sadly, during the year Mrs Holdsworth felt she wished to retire from the Board, and I would like to express everyone's appreciation to her for all she has contributed to our affairs. She has been a lessee for many years, and we will miss her greatly. In her place the Board co-opted Mr Carl George, who is also a lessee of long standing, and we welcome him to our number.

I had intended to retire as Chairman after the last AGM, but in view of the turmoil following Mrs Powell's departure, I felt I should stay on for another year. I have had the privilege of being chairman since the late Leonard Sainer left the building twelve years ago: and I feel this is far too long. My Colleagues have unanimously invited Mr George to become Chairman in my place and we are delighted that he has agreed to do so. The change will take place after the AGM, and I would like most sincerely to thank my colleagues on the Board for all their help and support over the years.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

CHAIRMAN'S STATEMENT ACCOMPANYING THE FINANCIAL STATEMENTS

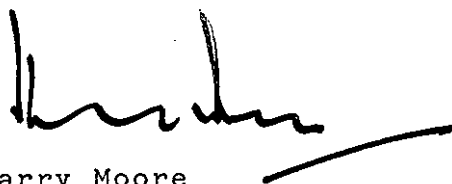
for the year ended 31 March 1997

Gardens

Yet again I am very happy to record our gratitude to Mrs Fenwick for overseeing our gardens and for producing such a lovely show. Shareholders will know that last summer we again won first prize, in our class, in the Westminster in Bloom Competition; and this speaks for itself.

We have this year also refurbished the small garden area in the courtyard. This is now an attractive corner, which I hope residents will use and enjoy.

Finally, I would like on behalf of us all to thank our staff most genuinely for all they have contributed to the well being of Chesterfield House during the past year. It has been a year of change for them in some ways, which isn't easy: but I think there are few apartment buildings, in Mayfair particularly, which are as fortunate in this respect as we are.

A handwritten signature in black ink, appearing to read 'Harry Moore', with a long horizontal stroke extending to the right.

Harry Moore

Chairman

19 May 1997

CHESTERFIELD HOUSE MANAGEMENT LIMITED

ANALYSIS OF PROFIT AND LOSS ACCOUNT for the year ended 31 March 1997

	£	£	1996	£
<u>Income</u>				
Rent receivable -				
Garage	76380		72250	
Flats	<u>38493</u>		<u>39821</u>	
		114873		112071
Service charges receivable -				
current year		416719		418027
previous year		-		7967
Ground rent receivable		<u>2375</u>		<u>2375</u>
		<u>533967</u>		<u>540440</u>
 <u>Operational expenditure and renovations</u>				
Service charge expenses				
(page 8)		399078		418294
Legal and professional fees		32023		5718
Sundry		4648		4258
Audit and taxation		4345		4173
Repairs and maintenance				
(page 9)		<u>180457</u>		<u>217789</u>
		<u>620551</u>		<u>650232</u>

The above figures, and those on pages 8 and 9, have been prepared for the information of lessees and are a detailed analysis of the amounts set out in the statutory profit and loss account on page 15.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

ANALYSIS OF SERVICE CHARGE EXPENDITURE for the year ended 31 March 1997

	Note	£	£	£	1996	£
Management costs						
Management salary, accounting fees and costs		42612		38958		
Consultancy fees		1779		3838		
Office expenses		<u>2721</u>		<u>2572</u>		
			47112			45368
Staff costs	1					
Salaries, wages and social security		107335		97916		
Recruitment		-		2820		
Uniforms		2433		1195		
Poll/council tax		1442		1345		
Flat repairs and maintenance		<u>1858</u>		<u>3782</u>		
			113068			107058
Heating	2		38509			64741
Security and closed circuit TV:-						
Salaries		51111		36386		
Other expenses		<u>6494</u>		<u>21823</u>		
			57605			58209
Cleaning:-						
Salaries	3	5530		-		
Other		<u>31561</u>		<u>33838</u>		
			37091			33838
Insurance	4					
Building		23685		29909		
Other		<u>7264</u>		<u>7131</u>		
			30949			37040
Electricity			14529			15586
Building repairs and maintenance:-	5					
Salaries			5907			-
Other			334			1120
Water rates and water tank repairs	6		14049			18107
Lifts			10136			10446
Gardens			9783			8731
Telephones			2298			2677
Entry phone and TV aerial systems			2508			2463
Fire	7		8458			4863
Fees - audit			2200			2060
Fees - legal			764			88
Health and safety			976			1347
Sundries			<u>2802</u>			<u>4552</u>
			<u>399078</u>			<u>418294</u>

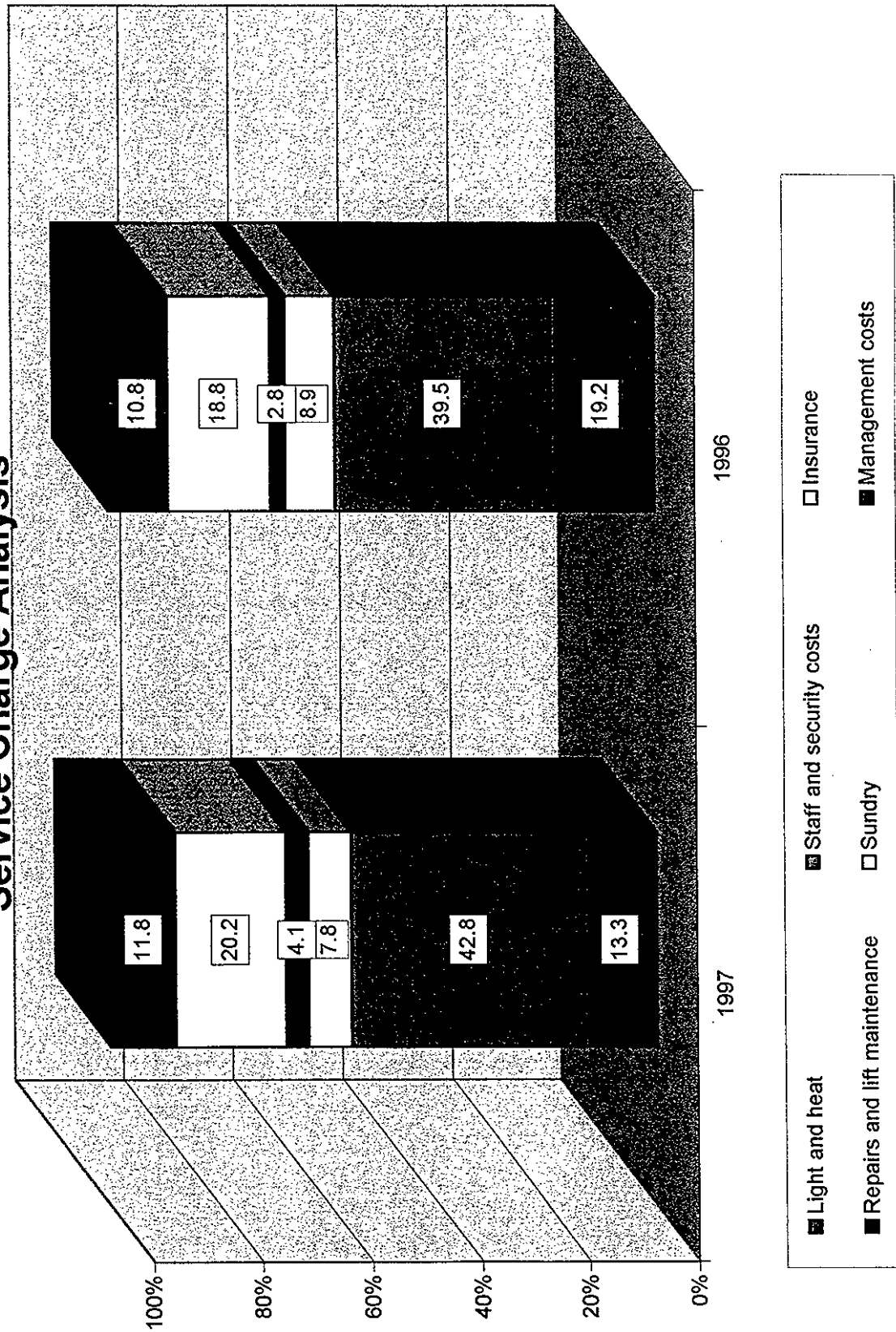
The total expenditure for 1997 of £399078 compares with the service charge demand for 1996/7 of £416250. The total for 1996 of £418294 compares with a service charge demand for 1995/6 of £416260. The service charge demand for 1997/8 amounts to £406260.

Note

In view of the substantial underspending on heating during the year, the Board has taken the opportunity to bring forward their plans to upgrade the internal fire alarm system. They have therefore allocated £18500 of the service charge expenditure for 1996/97 towards the cost of this upgrading, which should be completed during 1997/98.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

Service Charge Analysis



CHESTERFIELD HOUSE MANAGEMENT LIMITED

ANALYSIS OF REPAIRS AND MAINTENANCE ACCOUNTS

for the year ended 31 March 1997

	£	£	£	1996	£
<u>Building maintenance</u>					
Asphalting 6 roof wings south block	98502		-		
Fire escape stairs	-		698		
Asphalting west block roof	-		18680		
West elevation repairs	-		25053		
Roof and chimney	-		17418		
Sundry	9530		21491		
		108032			83340
<u>Decoration</u>					
South Audley Street	(2216)		79015		
Sundry	-		4863		
		(2216)			83878
<u>Other building and refurbishment works</u>					
Satellite I.F.D. system	-		8842		
Reinsulation of pipework	-		18161		
Lifts	-		7138		
Carpets and curtains	6190		5523		
Roll door	3873		-		
Telephone system	4300		-		
Main entrance locks and keys	5782		-		
Sundry	1025		2426		
		21170			42090
<u>Professional fees</u>					
Surveyors, consulting engineers etc		8135			5436
<u>Water tanks</u>					
Repairs		-			2335
<u>Electrical</u>					
Sundry		-			710
<u>Security</u>					
Colour monitors, cameras and recorders		45336			-
Total per accounts		180457			217789

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTES TO ANALYSIS OF SERVICE CHARGE EXPENDITURE

for the year ended 31 March 1997

1. Staff costs

The increase in salary costs represents normal annual increases and termination payments.

2. Heating

Last years service charge demand included a provision for the replacement of one boiler. We have now been able to avoid the need for this.

We have also been able during the past year to negotiate a very substantial reduction with A H S Emstar Limited for the servicing of our boilers.

3. Cleaning

The increase reflects the cost of the initial materials and equipment needed to change from Metro Property Services Limited to the employment of our own cleaning staff. The year's figure also includes payments to Metro Property Services for part of the year, and the salary of two caretakers employed by us for the remainder of the year.

4. Insurance

This shows a substantial reduction because of the three-year agreement negotiated last year.

5. Building repairs

This increase represents the salary of the new full time maintenance porter.

6. Water

The decrease is the result of the water tanks needing less maintenance expenditure.

7. Fire

The increase represents the cost of the work done on the initial phases of a programme to update our internal fire alarm system. See note at foot of page 8.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

SCHEDULE TO BALANCE SHEET as at 31 March 1997

	£	£	£	1996	£
<u>Other debtors</u>					
Insurance claims		-			1233
Other		6466			2523
Tax credit on investment income		6300			10099
		<u>12766</u>			<u>13855</u>
<u>Prepayments and accrued income</u>					
Advance fuel payments	2863		38641		
Interest	<u>27028</u>		<u>9376</u>		
		29891			48017
As per balance sheet		<u>42657</u>			<u>61872</u>
<u>Creditors: amounts falling due within one year</u>					
<u>Other creditors</u>					
Insurance claims	4504		-		
Service charges in advance	86483		84715		
Rent in advance	-		18063		
Deposit refund	1000		1705		
Wages and salaries	<u>6634</u>		<u>3775</u>		
		98621			108258
<u>Accruals</u>					
Sundry	740		2575		
Maintenance and decoration	24305		17227		
Audit and taxation	6545		6233		
Fire alarm system	<u>3129</u>		<u>-</u>		
		34719			26035
As per balance sheet		<u>133340</u>			<u>134293</u>

DIRECTORS' REPORT to the members of

CHESTERFIELD HOUSE MANAGEMENT LIMITED

The directors present their annual report and the accounts of the company for the year ended 31 March 1997.

1.Principal activity

The principal activity of the company during the financial year has continued to be that of managing the property of Chesterfield House for the benefit of its tenants.

2.Results and dividends

The profit and loss account is set out on page 15 and shows the company's result for the year.

The directors do not recommend the payment of a dividend as this is expressly forbidden by clause 4 of the Memorandum of Association, and it is proposed that the retained profits of £368 be added to reserves.

3.Fixed assets

Movements in fixed assets are shown in note 6 to the financial statements.

4.Directors

The directors in office in the year (or part thereof) and their beneficial interests in the company's issued ordinary share capital were as follows:-

	31/3/97	1/4/96
Dr D V Atterton	1	1
Miss F Belle - Cisneros	1	1
Mr P T Fenwick	1	1
Mr C H George (from 1 October 1996)	1	1
Mrs M V Holdsworth (to 1 October 1996)	1	1
Sir H Moore	1	1
Mr D Sullivan	1	1

DIRECTORS' REPORT to the members of

CHESTERFIELD HOUSE MANAGEMENT LIMITED

5. 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:-

- (a) Select suitable accounting policies and then apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent;
- (c) 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.

6. Directors and officers liability insurance

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310 (3) of the Companies Act 1985.

7. Auditors

The auditors, S W Frankson & Co, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the board

D Morgan
Secretary



19 May 1997

AUDITORS' REPORT to the shareholders of

CHESTERFIELD HOUSE MANAGEMENT LIMITED

We have audited the financial statements on pages 15 to 20 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 17.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 13 the company's directors are responsible for the preparation of 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

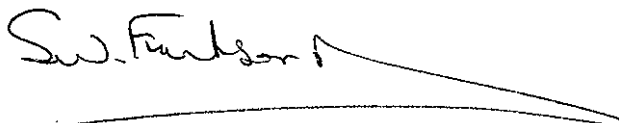
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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. In particular we have satisfied ourselves that all expenditure on repairs and refurbishment has been properly authorised and approved, that all expenditure made has been within the board's authority, and that the accountancy treatment therefor is the correct one.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

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



19 May 1997

CHESTERFIELD HOUSE MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 1997

	Note	£	1996 £
Income (see page 7)		533967	540440
Operational expenditure and renovations (see page 7)	(620551)	(650232)	
Compensation - J Powell	<u>(7000)</u>	<u>-</u>	
Operating (loss)/profit	3	<u>(627551)</u> <u>(93584)</u>	<u>(650232)</u> <u>(109792)</u>
Profit/(loss) on investments less provisions		20812	44560
Interest receivable and similar income	4	<u>73140</u>	<u>89220</u>
Profit on ordinary activities		<u>368</u>	<u>23988</u>
Result for the year		<u>368</u>	<u>23988</u>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than those included in the profit and loss account.

INCOME AND EXPENDITURE TOTALS

Details of income and operational expenditure and renovations are shown on pages 7, 8 and 9.

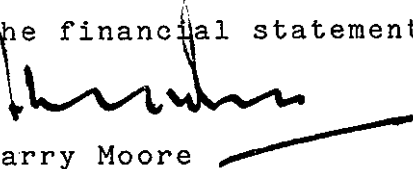
The notes on pages 17 to 20 form part of these financial statements.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

BALANCE SHEET as at 31 March 1997

				1996	
	Note	£	£	£	£
<u>Fixed assets</u>					
Investment property	6		1539485		1539485
<u>Current assets</u>					
Investments	7	-		1009968	
Debtors	8	42657		61872	
Cash at bank and in hand		1216567		187969	
		<u>1259224</u>		<u>1259809</u>	
<u>Creditors</u>					
Amounts falling due within one year	9	<u>133340</u>		<u>134293</u>	
Net current assets			<u>1125884</u>		<u>1125516</u>
Total assets less current liabilities			<u>2665369</u>		<u>2665001</u>
<u>Capital and reserves</u>					
Called up share capital	10		95		95
Investment revaluation reserve	11		997552		997552
Profit and loss account	11		<u>1667722</u>		<u>1667354</u>
Shareholders funds			<u>2665369</u>		<u>2665001</u>

The financial statements were approved by the board on 19 May 1997.


Harry Moore
Chairman

The notes on pages 17 to 20 form part of these financial statements.

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 March 1997

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

(b) Cash flow

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 1 'Cash Flow Statements'.

(c) Income

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

(d) Investment property

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. Employees

	1997	1996
Wage costs consist of:		
Salaries and wages (staff, management and night security)	176930	134234
Social security costs	17415	13147
	<hr/>	<hr/>
	194345	147381
	<hr/>	<hr/>

The average weekly number of full time employees during the year was 12 (1996 - 10).

3. Operating profit

Operating profit is stated after charging:-

Auditors remuneration	6545	6233
	<hr/>	<hr/>
and after crediting:		
Rents receivable	114873	112071
	<hr/>	<hr/>

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 March 1997

4. Interest receivable and similar income

	1997	1996
Interest from U K Gilt Edged stocks	36851	76782
Other interest	36289	12438
	<u>73140</u>	<u>89220</u>

5. Taxation

No corporation tax arises this year due to the availability of losses for taxation purposes amounting to approximately £605192 as at 31 March 1997 (1996 - £583001).

6. Investments - property

	1997	1996
Balance at 1 April 1996	1539485	1539485

The company's interest in the freehold property known as Chesterfield House was revalued by the directors at open market value in 1992/3 and in their opinion there has been no material change since then.

7. Investments

Valued at the lower of cost and net realisable value:-

	1997	1996
Gilt edged stock		
- Treasury 6% 1999	-	1009968

The above investment was listed on the UK Stock Exchange and had a market value at 31 March 1997 of £Nil (1996-£1017844).

CHESTERFIELD HOUSE MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 March 1997

8. Debtors

	1997	1996
Other debtors	12766	13855
Prepayments	29891	48017
	<hr/>	<hr/>
	42657	61872
	<hr/>	<hr/>

9. Creditors: amounts falling due within one year

	1997	1996
Other creditors	98621	108258
Accruals	34791	26035
	<hr/>	<hr/>
	133340	134293
	<hr/>	<hr/>

10. Contingent liability

At the year end an appeal to an industrial tribunal from a former employee had been lodged. It is not practicable to make an estimate of the financial effect of an adverse outcome, at this time.

11. Share capital

	1997	1996
Authorised	<hr/>	<hr/>
Ordinary shares of £1 each	£100	£100
Issued and fully paid	<hr/>	<hr/>
Ordinary shares of £1 each	£95	£95
	<hr/>	<hr/>

12. Reserves

	Investment revaluation reserve	Profit and loss account
Balance at 1 April 1997	997552	1667354
Profit on ordinary activities in year	-	368
	<hr/>	<hr/>
	997552	1667722
	<hr/>	<hr/>

13.Reconciliation of movement in shareholders funds

	1997	1996
Profit for the year	<u>368</u>	<u>23988</u>
Shareholders funds at 1 April 1996	2665001	2641013
	<hr/>	<hr/>
Shareholders funds at 31 March 1997	2665369	2665001
	<hr/>	<hr/>