Clay Property Limited

Report and accounts for the year ended 31 March 2003

(Registered number: 1898880)

Clay Property Limited

Report and accounts
For the year ended 31st March 2003

Contents

Clay Property Limited

Directors' report
The directors submit herewith their report and accounts for the year ended 31 March 2003.

Business of the company
The company is a wholly owned subsidiary within the group of Warner Estate Holdings PLC, a company incorporated in Great Britain. The main business of the company is investment and dealing in commercial property, from which it also derives rental income.

A review of the company's results for the year is set out below.

Results for the year
The loss after taxation for the year amounted to £4,734,000 (2002: £17,258,000 profit), which has been deducted from a surplus brought forward of £23,061,000 and after a transfer to other capital reserves of £156,000 this leaves £18,171,000 to be carried forward. The directors do not recommend the payment of a dividend (2002: nil).

Investment properties
Investment properties with book values of £575,000 were disposed of during the year. The net surplus over value was £156,000.

An independent valuation of the company's investment properties at the date of the balance sheet has been made which amounts to £2,480,000 and the directors have incorporated this in the accounts as shown in Note 7. The resultant surplus of £36,000 has been transferred to the revaluation reserve.

Directors
The members of the board during the year were:

P.C.T. Warner (Chairman)
P.W. Collins
V.B. Vaghela
R. Moore
K.R. Meade

Mr D.L. Edwards and Mr M.J. Stevens were appointed as directors of the company on 1 May 2003.

The interests in the ultimate holding company in respect of Mr P.C.T. Warner, Mr P.W. Collins and Mr R. Moore are shown in that company's accounts and those of Mr V.B. Vaghela and Mr K.R. Meade are as follows:-

	Shares held		Options (a)		WEHLTIP (b)		WEHPSS (c)		AESOP (d)	
	At 31 March 2003	At 31 March 2002	At 31 March 2003	At 31 March 2002	At 31 March 2003	At 31 March 2002	At 31 March 2003	At 31 March 2002	At 31 March 2003	At 31 March 2002
V.B. Vaghela	37,196	33,573	46,224	22,241	4,926	9,150	1,629	2,722	2,365	462
K.R. Meade	2,486	1,415	47,633	22,241	4,818	4,818	1,597	2,668	2,365	462

Interest in shares as part of the Warner Estate Holdings Long Term Incentive Plan (WEHLTIP), Warner Estate Holdings Profit Sharing Scheme (WEHPSS) and All Employee Share Ownership Plan (AESOP) are held in trust, details of which are set out in the accounts of the ultimate holding company.

(a) Mr V.B. Vaghela was granted new options over 23,983 shares during the year. Mr K.R. Meade was granted new options over 25,392 shares during the year.

(b) 4,224 shares awarded on 13 January 1999 were vested to Mr V.B. Vaghela on 24 July 2002.

(c) 1,093 shares awarded on 26 January 2000 were vested on 27 January 2003 to Mr V.B. Vaghela. 1,071 shares awarded on 26 January 2000 were vested on 27 January 2003 to Mr K.R. Meade.

(d) The AESOP shares include Partnership shares (purchased by the individual), Matching shares (purchased by the parent company), Free shares awarded to the individual during the year and Dividend shares purchased by the individual during the year.

Auditors
Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

D.J. Lanchester
Secretary
Nations House
103 Wigmore Street
London
W1U 1AE

9 June 2003

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;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent auditors' report to the members of Clay Property Limited

We have audited the financial statements on pages 4 to 12 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 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the report and financial statements, in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save by where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 state of the company's affairs at 31 March 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

London

9 June 2003

Clay Property Limited

Profit and loss account

For the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	**346**	340
Operating profit	2	**310**	131
Investment income	4	**(5,001)**	17,773
Profit / (loss) on sale of fixed assets		**156**	(348)
(Loss) / profit on ordinary activities before interest		**(4,535)**	17,556
Interest payable and similar charges	5	**(147)**	(204)
(Loss) / profit on ordinary activities before taxation		**(4,682)**	17,352
Taxation	6	**(52)**	(94)
Retained (loss) / profit for the year	13	**(4,734)**	17,258

Statement of total recognised gains and losses

	Notes	2003 £'000	2002 £'000
(Loss) / profit for the financial year	14	**(4,734)**	17,258
Unrealised net surplus / (deficit) on revaluation of assets	14	**36**	(40)
Total recognised gains and losses relating to the year	14	**(4,698)**	17,218

Note of historical cost profits and losses

	2003 £'000	2002 £'000
(Loss) / profit on ordinary activities before taxation	**(4,682)**	17,352
Realisation of investment property gains of previous years	**78**	1,162
Historical cost (loss) / profit on ordinary activities before taxation and dividends	**(4,604)**	18,514
Historical cost (loss) / profit for the year retained after taxation and dividends	**(4,656)**	18,420

All of the company's operations are classed as continuing.

Clay Property Limited

Balance sheet

As at 31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Investment properties	7	**2,480**	2,980
Investments	8	**1,476**	1,476
		3,956	4,456
Current assets			
Debtors	9	**58,024**	58,644
Cash at bank and in hand		**152**	-
		58,176	58,644
Current liabilities			
Creditors: amounts falling due within one year	10	**(42,094)**	(38,365)
Net current assets		**16,082**	20,279
Total assets less current liabilities		**20,038**	24,735
Provision for liabilities and charges			
Deferred taxation	11	**-**	1
Net assets		**20,038**	24,736
Capital and reserves			
Called-up share capital	12	**-**	-
Revaluation reserve	13	**287**	329
Other capital reserve	13	**1,580**	1,346
Profit and loss account	13	**18,171**	23,061
Equity shareholders' funds		**20,038**	24,736

The financial statements on pages 4 to 12 were approved by the Board of Directors on 9 June 2003 and were signed on its behalf by:-

P.W. Collins

V.B. Vaghela

Directors

1. Accounting policies

Basis of accounting

The accounts have been prepared on the historical cost basis of accounting modified to include the revaluation of certain assets and in accordance with applicable accounting standards in the United Kingdom. Following these standards requires a departure from the requirements of the Companies Act 1985 relating to depreciation of certain land and buildings as explained in the paragraph on depreciation below. A summary of the more important accounting policies, which have been applied consistently, is set out below.

FRS 18

FRS 18 requires a full and regular review of the company's accounting policies by the Board and this has resulted in no change in accounting policies or presentation.

Investment properties

Investment properties are stated at their open market valuation at the balance sheet date. The aggregate surplus or temporary deficit arising on revaluation is transferred to the revaluation reserve and to the extent that it has not already been previously accounted for against revaluation reserve any permanent deficit to the profit and loss account.

Depreciation

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the Directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Fixed asset investments

Fixed asset investments are included at cost less any provision to reflect an impairment in value.

Deferred taxation

Deferred tax is provided in respect of all timing differences which have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future, except that:

1) Provision is not made in respect of property revaluation surpluses; and
2) Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the relevent timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates which apply at the balance sheet date.

Cash flow statement

The company's ultimate parent company, Warner Estate Holdings PLC, produces consolidated statements which are publicly available. The company is therefore exempt under the terms of Financial Reporting Standard No. 1 (Revised), from publishing a cash flow

Sale of properties

Sales are recognised when contracts are exchanged for commercial properties and on completion for dwellings.

Realised capital surpluses and deficits

Realised surpluses and deficits of a capital nature are transferred to the other capital reserve.

Turnover

Turnover represents rental and sundry income and property trading arising in the UK and is stated net of Value Added Tax.

Consolidation

In accordance with s.228 of the Companies Act 1985, the company does not prepare consolidated accounts because it is an intermediate holding company, wholly owned by Clay Estates Limited, incorporated and registered in England. The financial statements present information about the company as an individual undertaking and not its group.

2. Turnover and operating profit

	2003 £'000	2002 £'000
Rents receivable	**346**	340
Less: Property outgoings	**(28)**	(205)
	318	135
Less: Administrative expenses	**(8)**	(4)
	310	131
Operating profit is stated after charging:		
Auditors remuneration - audit services	**4**	3

3. Directors' emoluments and employee costs

No emoluments were paid to directors (2002: £nil).

The company did not have any employees in the year (2002: nil).

4. Investment income

	2003 £'000	2002 £'000
Dividends receivable from subsidiary undertakings	**(5,001)**	17,773

In the year to 31 March 2003, the company has reversed £5,001,000 of dividends receivable from subsidiary undertakings which were accrued as receivable last year.

5. Interest payable and similar charges

	2003 £'000	2002 £'000
On bank loans, overdrafts and other loans wholly repayable within five years	**152**	208
Interest receivable	**(5)**	(4)
	147	204

6. Tax on profit on ordinary activities

	2003 £'000	2002 £'000
UK Corporation tax:		
Current at 30% (2002: 30%)	**51**	(21)
Deferred	**1**	(3)
Under provision in respect of prior year	**-**	118
	52	94
Reconciliation of current tax charge:		
Tax at 30% on (loss) / profit on ordinary activities before taxation (2002: 30%)	**(1,405)**	5,206
Loss on sale of fixed assets	**-**	105
Use of capital losses	**(47)**	-
Dividends receivable not taxable	**1,500**	(5,332)
Other	**3**	-
	51	(21)

7. Investment Properties

	Freehold £'000
Valuation	
At 1 April 2002	2,980
Additions	39
Disposals	(575)
Revaluation	36
At 31 March 2003	**2,480**

Properties purchased by the group within twelve months of the company's balance sheet date are included at directors' valuation. The remainder of the company's investment portfolio was valued by Cushman & Wakefield Healey & Baker on an open market basis in accordance with the recommended guidelines of the Royal Institution of Chartered Surveyors as at 31 March 2003.

	2003 £'000	2002 £'000
The historical cost to the company of the revalued investment properties	**2,193**	2,651

8. Investments

	£'000
Subsidiary undertakings	
At 1 April 2002 and 31 March 2003	**1,476**

The following is the principal wholly owned subsidiary of Clay Property Limited:

Undertaking	**Activity**
Annstar Properties Limited	Property Investment

Clay Property Limited

Notes to the accounts

For the year ended 31 March 2003

9. Debtors

	2003	2002
	£'000	£'000
Trade debtors	-	53
Amounts due from group companies	57,999	58,571
Other debtors	9	13
Prepayments & accrued income	16	7
	58,024	58,644

10. Creditors

	2003	2002
	£'000	£'000
Amounts falling due within one year:		
Bank overdraft (secured)	232	554
Trade creditors	227	224
Amounts owed to group companies	41,418	37,456
Corporation tax	60	9
Other taxation and social security	60	14
Other creditors	7	10
Accruals and deferred income	90	98
	42,094	38,365

It is not the intention of the other group companies to request repayment of their outstanding balances until such a time as the company has sufficient funds available.

Properties owned by the company are used as security for group borrowings.

11. Deferred taxation

	2003 £'000	2002 £'000
Deferred taxation arising from timing differences:		
Capital and industrial building allowances claimed on investment properties	-	(1)

The potential amount of deferred taxation, for which no provision has been made and which would arise if the assets held as long term investments were sold at the values at which they appear in the balance sheet, have been calculated as follows:

	2003 £'000	2002 £'000
Potential deferred tax	-	47

12. Called-up share capital

	2003 £	2002 £
Authorised:		
1,000 Ordinary shares of £1 each	**1,000**	1,000
Allotted, called-up and fully paid:		
100 Ordinary shares of £1 each	**100**	100

13. Reserves	Revaluation reserve £'000	Other capital reserve £'000	Profit and loss account £'000
At 1 April 2002	329	1,346	23,061
Surplus on revaluation of investment properties	36	-	-
Realised valuation surplus on investment properties sold	(78)	78	-
Transfer from profit and loss account	-	156	(156)
Retained loss for the year	-	-	(4,734)
At 31 March 2003	**287**	**1,580**	**18,171**

14. Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
(Loss) / profit after taxation	**(4,734)**	17,258
Other recognised gains / (losses) relating to the year	**36**	(40)
Net (decrease) / increase in shareholders' funds	**(4,698)**	17,218
Opening shareholders' funds	**24,736**	7,518
Closing shareholders' funds	**20,038**	24,736

15. Contingent liabilities

There are cross-guarantees between the company and certain fellow subsidiary undertakings securing bank overdrafts and a loan. At 31 March 2003 these amounted to £150,200,502 (2002: £114,211,258).

The company is a member of a Value Added Tax group registration and has a contingent liability in respect of VAT liabilities of certain other group undertakings.

16. Ultimate parent company

The immediate parent company is Clay Estates Ltd a company registered and incorporated in England.

The ultimate holding and controlling company of Clay Property Ltd is Warner Estate Holdings PLC, which is registered and incorporated in England. Copies of the group accounts may be obtained from Warner Estate Holdings PLC, Nations House, 103 Wigmore Street, London, W1U 1AE.

17. Related party transactions

The company has taken advantage of the exemption available under FRS No. 8, Related Party Disclosures, from disclosing transactions with parent and other group companies.