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# **CORNLODGE PROPERTIES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

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*◆ Year ended 31 December 1998 ◆*

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COMPANY NO: 2109028



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**COMPANY INFORMATION**

Directors	Marc Gilbard Graham Stanley Alexander MacLachlan
Company Secretary	Timothy Sanderson
Registered office	Premier House 44-48 Dover Street London W1X 3RF
Registered number	2109028
Auditors	Robson Rhodes Chartered Accountants 186 City Road London EC1V 2NU
Bankers	Lloyds Bank Plc

## **REPORT OF THE DIRECTORS**

The directors present their annual report together with the audited financial statements for the year ended 31 December 1998.

### **Principal activities**

The principal activities of the Company are property investment and trading.

### **Results**

The results for the year ended 31 December 1998 are set out in the Profit & Loss Account on page 5. These show a profit after taxation of £59,890 (1997: Profit £61,798). The directors recommend the payment of a dividend of £85,000 (1997:nil).

The properties were transferred at book value to another group undertakings

### **Directors**

The present directors of the company are set out on Page 1.

### **Directors Interest**

None of the directors had any interest in the shares of the Company. Their interest in the shares of the holding company are shown in the accounts of that company.

### **Ultimate Parent Company**

The company is a wholly owned subsidiary of Moorfield Estates PLC which is incorporated in England.

### **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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

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.

**REPORT OF THE DIRECTORS**  
**(Continued)**

**Year 2000 Compliance**

The company is very much aware of the need to assess its exposure to the Year 2000 issue in terms of its effects on its internal systems and operations. The issue, commonly referred to as "The Millennium Bug", arises due to many computer applications being written with only a two digit date representing a specific year. This is expected to cause problems when computers read dates at the turn of the century and the two digit date may not be correctly recognised as the year 2000. The new computerised accounting systems introduced over the last eighteen months are Year 2000 compliant, and the costs of these have been charged in accordance with the company and usual Accounting Policies.

A review of the building services systems and equipment within the property portfolio is currently being undertaken in conjunction with the Managing Agents. No material costs have been identified in this regard.

**Auditors**

The auditors, Robson Rhodes are willing to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

The report of the directors was approved by the Board on *19 March* 1999 and signed on its behalf by:



Timothy Sanderson  
Secretary

**AUDITORS' REPORT TO THE SHAREHOLDERS  
OF CORNLODGE PROPERTIES LIMITED**

We have audited the financial statements on pages 5 to 12 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

**Respective responsibilities of directors and auditors**

As described on page 2 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 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 affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes  
Chartered Accountants and Registered Auditor

19 March 1999

**CORNLODGE PROPERTIES LIMITED****PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 1998**

	Note	1998 £	1997 £
Turnover		199,290	178,228
Gross Rental income		199,290	178,228
Less: Property outgoings		(10,099)	(6,340)
Net rental income		189,191	171,888
Administrative expenses	2	(68,035)	(55,108)
Profit/(Loss) on sale of investment property		28,250	(27,970)
Operating profit		149,406	88,810
Interest receivable		11,391	321
Interest payable and similar charges	3	(100,907)	(23,627)
Profit on ordinary activities before taxation		59,890	65,504
Taxation	4	-	(3,706)
Profit on ordinary activities after taxation		59,890	61,798
Dividends		(85,000)	-
Retained (loss)/profit for the year		(25,110)	61,798

The notes of pages 8 to 12 form part of these accounts  
All activities are continuing activities

**CORNLODGE PROPERTIES LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 1998

	1998 £	1997 £
Retained (loss)/profit for the financial year	(25,110)	61,798
Unrealised surplus/(deficit) on revaluation of investment property	(255,000)	-
	<u>(280,110)</u>	<u>61,798</u>

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**  
for the year ended 31 December 1998

	1998 £	1997 £
Total recognised (losses)/gains for the financial year	(280,110)	61,798
Opening shareholders' funds	35,511	(26,287)
	<u>(244,599)</u>	<u>35,511</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
for the year ended 31 December 1998

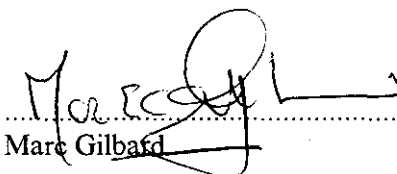
	1998 £	1997 £
Reported (loss)/profit on ordinary activities before taxation	(25,110)	65,504
Realisation of property revaluation gains of previous years	-	150,000
	<u>(25,110)</u>	<u>215,504</u>



**CORNLODGE PROPERTIES LIMITED****BALANCE SHEET**  
**at 31 December 1998**

	Note	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	5	6,745,000	-
<b>Current assets</b>			
Stocks	6	2,000,000	-
Debtors	7	298,610	35,505
Cash at bank and in hand		18,788	6
		2,317,398	35,511
<b>Creditors: Amounts falling due within one year</b>	8	(4,918,094)	-
<b>Net current (liabilities)/assets</b>		(2,600,696)	35,511
<b>Total assets less current liabilities</b>		4,144,304	35,511
<b>Creditors: Amounts falling due after more than one year</b>	9	(4,388,903)	-
<b>Net (liabilities)/assets</b>		(244,599)	35,511
<b>Capital and reserves</b>			
Called up share capital	10	100	100
Investment property revaluation reserve	11	(255,000)	-
Profit and loss account	11	10,301	35,411
<b>Shareholders' funds (all equity)</b>		(244,599)	35,511

The financial statements were approved by the Board on 19 March 1999 and signed on its behalf by:

  
.....  
Marc Gilbard

The notes of pages 8 to 12 form part of these accounts.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1998**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties. The financial statements are prepared in accordance with applicable accounting standards, including SSAP 19, which unlike the detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties. The lack of depreciation is necessary to give a true and fair view for the reasons explained below.

**Turnover**

Turnover, excluding VAT, comprises of rental income and gross sale proceeds of trading properties.

**Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

**Investment Properties**

In accordance with SSAP 19 investment properties are included in the balance sheet at an open market value. *The surplus or deficit of such value over cost is transferred to the revaluation reserve.* Properties are revalued annually and at least once in every five years by external professional valuers. Freehold and long leasehold investment properties are not depreciated. Depreciation is only one of many factors reflected in the annual valuation and the amount which otherwise would have been shown cannot be separately identified or quantified. Where there is a permanent diminution in the value of a building, a charge is made to the profit and loss account.

**Trading Properties**

Trading properties included within stock are shown at the lower of cost and net realisable value.

**Surplus or Deficit Arising on Sale of Investment Properties**

The surplus or deficit over the cost or valuation arising on the sale of investment properties is recognised in the profit and loss account before arriving at the profit before taxation.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1998**1. ACCOUNTING POLICIES**  
(continued)**Finance Fees**

Arrangement and other finance fees incurred as a result of entering into loan and other facilities are amortised over the length of the related loan or facility in accordance with FRS 4 "Accounting for Capital Instruments".

**2. ADMINISTRATIVE EXPENSES**

	1998 £	1997 £
Management fee from parent company	68,000	55,000
Other	35	108
	<hr/>	<hr/>
	68,035	55,108
	<hr/>	<hr/>

**3. INTEREST PAYABLE AND SIMILAR CHARGES**

	1998 £	1997 £
Interest on loans and overdrafts repayable wholly within five years	-	23,627
Interest on loans repayable in over five years	88,439	-
Finance Fees	12,468	-
	<hr/>	<hr/>
	100,907	23,627
	<hr/>	<hr/>

**4. TAXATION**

	1998 £	1997 £
UK corporation tax at 0% (1997: 31%)	-	3,706
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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1998****5. TANGIBLE FIXED ASSETS**

	<b>Investment Properties £</b>
Valuation at 1 January 1998	-
Additions	8,050,000
Revaluation deficit	(255,000)
Disposal	(1,050,000)
	<hr/>
Valuation at 31 December 1998	6,745,000
	<hr/>
Cost at 31 December 1998	7,020,303
	<hr/>

Investment properties were valued by external valuers, DTZ Debenham Thorpe, as at 31 December 1998, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

**6. STOCKS**

	<b>1998 £</b>	<b>1997 £</b>
Commercial trading properties	2,000,000	-
	<hr/>	<hr/>

The commercial trading property was valued at £2,000,000 by external valuers, DTZ Debenham Thorpe, as at 31 December 1998, on the basis of Open Market Value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

**7. DEBTORS**

	<b>1998 £</b>	<b>1997 £</b>
Trade debtors	37,210	-
Amounts due by group undertaking	192,185	34,041
Other debtors and prepayments	69,215	1,464
	<hr/>	<hr/>
	298,610	35,505
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1998****8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998	1997
	£	£
Trade creditors	31,588	-
Amounts owed to group undertakings	4,664,514	-
Accruals and other deferred income	221,992	-
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	4,918,094	-
	<hr/>	<hr/>

**9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1998	1997
	£	£
Bank loans (secured charge over properties held) due for repayment in 2001	4,388,903	-
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The loan carries a floating interest rate of 1.25% over Libor. During the year the company entered into an interest rate swap agreement for a seven year period at a fixed interest rate of 5.915%. The swap agreement is with a commercial bank and the notional amount outstanding at 31 December 1998 was £3,500,000. Under the interest rate swap the company agrees to exchange, at specified intervals, the difference between the fixed rate and floating rate amounts, these being calculated by reference to the agreed notional amount. The interest rate swap enables the company to manage its interest rate exposure, as by swapping fixed rates on borrowings into floating rates, the company effectively obtains lower floating rate borrowings than those available from borrowing directly at current floating rates.

**10. CALLED UP SHARE CAPITAL**

	1998	1997
	£	£
Authorised, issued and fully paid 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 31 December 1998***11. RESERVES**

	<b>Revaluation reserve</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
At 1 January 1998	-	35,411
Deficit on revaluation of investment properties	(255,000)	-
Retained loss	-	(25,110)
	<hr/>	<hr/>
At 31 December 1998	(255,000)	10,301
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**12. PARENT UNDERTAKING**

The ultimate parent company is Moorfield Estates PLC, which is registered in England and Wales.

Its group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF4, 3UZ.