

PERPETUAL ADMINISTRATION LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

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PERPETUAL ADMINISTRATION LIMITEDDIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30th September 1997.

1. Principal Activities

The principal activity of the Company is to act as a property developer and lessor of that property.

2. Review of Developments and Future Prospects

During the year, the construction of 112,000 sq ft of office space plus associated staff facilities commenced. The office complex is due for completion during mid 1998.

3. Dividends

The results for the year are set out on page 3.

The directors do not recommend the payment of a dividend for the year under review.

4. Directors

The directors who served during the year, together with their interests in the ordinary shares of Perpetual plc, the Company's parent company, at the beginning and end of the year were:

| | Ordinary Shares of 10p each | | Options over Ordinary Shares of 10p each | |
|----------------|--------------------------------|-----------|---|--------|
| | 1997 | 1996 | 1997 | 1996 |
| M. Arbib | | | | |
| Beneficial | 5,636,000 | 6,675,000 | - | - |
| Non-beneficial | - | 100,000 | - | - |
| D. S. Mossop | | | | |
| Beneficial | 385,470 | 385,770 | 18,750 | 18,750 |
| Non-beneficial | 49,010 | 49,160 | - | - |

The directors had no interests in the shares of any group company other than Perpetual plc.

5. Donations

There were no contributions during the year to United Kingdom charitable organisations or political parties (1996 - £nil).

6. Payment of Trade Creditors

It is the Company's policy to abide by the terms of payment of suppliers of goods or services to the Company. The amount due to suppliers as at the year end, expressed in days, was 27 days.

7. Auditors

A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



P. J. Gardner
Secretary

17th November 1997

PERPETUAL ADMINISTRATION LIMITEDDIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 as at the end of the financial year 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;
- * prepare the financial statements on a 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.

AUDITORS' REPORT TO THE MEMBERS OF PERPETUAL ADMINISTRATION LIMITED

We have audited the financial statements on pages 3 to 8 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on this page 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 circumstances of the Company, 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 affairs of the Company as at 30th September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors

17th November 1997

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

PERPETUAL ADMINISTRATION LIMITEDPROFIT AND LOSS ACCOUNTYear ended 30th September 1997

| | Note | 1997 £ | 1996 £ |
|---|------|-----------------|-----------------|
| Turnover | 1b | 109,004 | 156,781 |
| Administrative expenses | | <u>(20,170)</u> | <u>(28,716)</u> |
| Profit on ordinary activities before taxation | 3 | 88,834 | 128,065 |
| Tax charge on profit on ordinary activities | 4 | <u>22,529</u> | <u>47,446</u> |
| Profit retained, transferred to reserves | 12 | <u>66,305</u> | <u>80,619</u> |

All activities derive from continuing operations.

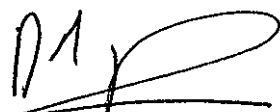
The Company has no recognised gains or losses other than the profits and losses shown in the profit and loss accounts for the year ended 30th September 1997 and 30th September 1996. The only movements in shareholders' funds are the profits for each year.

PERPETUAL ADMINISTRATION LIMITEDBALANCE SHEET30th September 1997

| | Note | 1997 | 1996 |
|--|------|------------------|----------------|
| | | £ | £ |
| Fixed Assets | | | |
| Tangible assets | 5 | 17,840,220 | 8,480,894 |
| Current Assets | | | |
| Debtors | 6 | <u>537,906</u> | <u>2,267</u> |
| Creditors: Amounts Falling Due Within One Year | | | |
| Bank overdraft | 7 | 230,123 | 22,936 |
| Creditors | 8 | <u>2,427,041</u> | <u>376,824</u> |
| | | <u>2,657,164</u> | <u>399,760</u> |
| Net Current Liabilities | | (2,119,258) | (397,493) |
| Total Assets less Current Liabilities | | 15,720,962 | 8,083,401 |
| Creditors: Amounts Falling Due After More Than One Year | 9 | (15,500,000) | (8,000,000) |
| Provisions for Liabilities and Charges | 10 | <u>(71,256)</u> | <u>-</u> |
| | | <u>149,706</u> | <u>83,401</u> |
| Capital and Reserves | | | |
| Called up share capital | 11 | 2 | 2 |
| Profit and loss account | 12 | <u>149,704</u> | <u>83,399</u> |
| Equity Shareholders' Funds | | <u>149,706</u> | <u>83,401</u> |

These financial statements were approved by the Board of Directors on 17th November 1997.

Signed on behalf of the Board of Directors


D. S. Mossop, Director

PERPETUAL ADMINISTRATION LIMITEDNOTES TO THE ACCOUNTSYear ended 30th September 1997**1. Accounting Policies**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Turnover

Turnover represents the value of rental income receivable on properties owned by the company.

c) Tangible Fixed Assets

Depreciation is not provided on freehold land or upon property developments until the property is completed.

d) Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

2. Information Regarding Directors and Employees

The directors are executives of the group companies. The directors received total emoluments of £560,898 (1996: £503,500) for their services to all group companies but it is not practicable to allocate this between their services to Perpetual Administration Limited and their services to other group companies. Two (1996: two) directors are accruing benefits under the Group's defined contribution pension schemes and contributions of £94,100 (1996: 94,100) have been made by the Group in respect of their services to the Group companies. No (1996: nil) directors have exercised options during the year.

| | 1997 | 1996 |
|--|----------------|----------------|
| | £ | £ |
| Remuneration of the highest paid director: | | |
| Emoluments other than fees | 426,630 | 369,375 |
| Pensions contributions | <u>41,200</u> | <u>41,200</u> |
| | <u>467,830</u> | <u>410,575</u> |

PERPETUAL ADMINISTRATION LIMITEDNOTES TO THE ACCOUNTS30th September 1997**3. Profit on Ordinary Activities Before Taxation**

| Profit on ordinary activities before taxation is after charging (crediting): | 1997 £ | 1996 £ |
|---|---------------|---------------|
| Income from other group companies | (28,000) | (24,000) |
| Auditors' remuneration: Audit fees | 2,000 | 1,000 |
| Other fees | <u>15,122</u> | <u>22,500</u> |

4. Tax Charge on Profit On Ordinary Activities

| | | |
|--|-----------------|---------------|
| United Kingdom Corporation Tax at 32% (1996 25%) | - | 47,446 |
| Deferred taxation | 71,256 | - |
| Group relief for tax losses surrendered | <u>(48,727)</u> | <u>-</u> |
| | <u>22,529</u> | <u>47,446</u> |

The tax charge is low due to the netting off of a deferred tax asset not previously provided for in the accounts.

5. Tangible Fixed Assets

| | Freehold Land and Buildings £ |
|------------------------|--|
| Cost | |
| As at 1st October 1996 | 8,480,894 |
| Additions | <u>9,359,326</u> |
| At 30th September 1997 | <u>17,840,220</u> |
| Net book value | |
| At 30th September 1997 | <u>17,840,220</u> |
| At 30th September 1996 | <u>8,480,894</u> |

All property is held for future development, hence no depreciation has been provided.

6. Debtors

| | 1997 £ | 1996 £ |
|---------------------------------|----------------|--------------|
| Trade debtors | 12,510 | - |
| Amounts owed by group companies | 48,727 | - |
| VAT recoverable | 476,281 | - |
| Prepayments and accrued income | <u>388</u> | <u>2,267</u> |
| | <u>537,906</u> | <u>2,267</u> |

7. Bank Overdraft

| | | |
|----------------------------|----------------|---------------|
| Bank overdraft (unsecured) | <u>230,123</u> | <u>22,936</u> |
|----------------------------|----------------|---------------|

PERPETUAL ADMINISTRATION LIMITEDNOTES TO THE ACCOUNTS30th September 1997**8. Creditors**

| | 1997 | 1996 |
|---------------------------------|------------------|----------------|
| | £ | £ |
| Trade creditors | 2,174,754 | 41,315 |
| Amounts owed to group companies | 48,156 | 163,600 |
| Taxation and social security | 16,818 | 19,761 |
| Accruals and deferred income | <u>187,313</u> | <u>152,148</u> |
| | <u>2,427,041</u> | <u>376,824</u> |

9. Creditors: Amounts Falling Due After More Than One Year

The creditors of £15.5 million (1996 £8 million) represent a loan of £14 million from Perpetual plc, the ultimate parent company and a loan of £1.5 million from Perpetual Investment Management Services Limited, a fellow subsidiary. The loans are interest free and are not repayable within twelve months.

10. Provisions for Liabilities and Charges

| | | |
|--------------------------------|---------------|---|
| Balance at 1st October 1996 | - | - |
| Charge for the year | <u>71,256</u> | - |
| Balance at 30th September 1997 | <u>71,256</u> | - |

Deferred taxation has been fully provided on the excess of capital allowances claimed over depreciation charged in the profit and loss account and short term timing differences. The unprovided deferred tax balance arising from short term timing differences is £nil (1996: £12,953) at the year end.

11. Called up Share Capital

| | | |
|--|----------|----------|
| Authorised, allotted and fully paid, 2 ordinary shares of £1 each | <u>2</u> | <u>2</u> |
|--|----------|----------|

12 Profit and Loss Account

| | |
|--------------------------------|----------------|
| | £ |
| Balance at 1st October 1996 | 83,399 |
| Profit retained for the year | <u>66,305</u> |
| Balance at 30th September 1997 | <u>149,704</u> |

13 Capital Commitments

| | 1997 | 1996 |
|---------------------------------------|------------------|-------------------|
| | £ | £ |
| Contracted for but not yet provided | 9,417,000 | - |
| Authorised but not yet contracted for | - | <u>13,250,000</u> |
| | <u>9,417,000</u> | <u>13,250,000</u> |

The capital commitments shown above predominantly relate to the acquisition of the development of new office premises within Henley-on-Thames.

PERPETUAL ADMINISTRATION LIMITED

NOTES TO THE ACCOUNTS

30th September 1997

14. Related Party Transactions

In accordance with FRS8, related party transactions with other group undertakings within, and related parties of, the Perpetual plc group have not been disclosed in these financial statements.

Directors invest in Personal Equity Plans and unit trusts of Perpetual on terms available in the market place.

15 Ultimate Parent Company

The Company is a wholly owned subsidiary of Perpetual plc, a company registered in England and Wales. Copies of Perpetual plc's group financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ

PERPETUAL ADMINISTRATION LIMITED

ADDITIONAL INFORMATION

The additional information on page 10 has been prepared from the accounting records of the Company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

PERPETUAL ADMINISTRATION LIMITEDPROFIT AND LOSS ACCOUNT30th September 1997

| | 1997 | | 1996 |
|-------------------------------|----------------------|-----------|-----------------------|
| | £ | £ | £ |
| Income | | | |
| Rental income | 109,004 | | 156,781 |
| Less expenditure | | | |
| Audit and accountancy | 17,122 | 23,500 | |
| Bank charges | 214 | 78 | |
| Cleaning | - | 90 | |
| Property maintenance | - | 2,342 | |
| Rates | 2,083 | 2,121 | |
| General insurance | 736 | 567 | |
| Legal and professional | <u>15</u> | <u>18</u> | |
| | <u>(20,170)</u> | | <u>(28,716)</u> |
| Profit before taxation | <u><u>88,834</u></u> | | <u><u>128,065</u></u> |