

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
**(Formerly Hufvudstaden (Marlborough) Limited)**  
**(Registered number 2514463)**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 1997**



**PANNELL KERR FORSTER**  
**Chartered Accountants**

HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED  
(Formerly Hufvudstaden (Marlborough) Limited)  
ANNUAL REPORT  
YEAR ENDED 31 DECEMBER 1997

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**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
**(Formerly Hufvudstaden (Marlborough) Limited)**  
**DIRECTORS' REPORT**

The directors submit their report and the audited financial statements of the company for the year ended 31 December 1997.

**PRINCIPAL ACTIVITIES**

The principal activity of the company was the development of freehold property in Central London, with a view to subsequent future letting.

**RESULTS**

The profit for the year after taxation amounted to £6,557,211 which is added to the loss carried forward. No dividend is recommended.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

During 1997 the company continued with the redevelopment of its property with a view to subsequent future commercial letting. In June 1997 the company acquired the freehold of a property under development at 18 Great Marlborough Street from its subsidiary company Hufvudstaden (Marlborough) Development Limited.

The company changed its name to Hufvudstaden International (GMS) Limited from Hufvudstaden (Marlborough) Limited on 22 July 1997.

**FIXED ASSETS**

Details of movements in tangible fixed assets are given in note 6 to the financial statements.

**DIRECTORS**

The following directors served during the year:

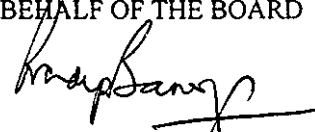
	<u>Appointed</u>	<u>Resigned</u>
Mr O Agri	-	-
Mr D Brostrom	-	27 August 1997
Mr J Svedin	-	-
Mr T H Petersson	27 August 1997	-
Mr L Oberg	27 August 1997	-

None of the directors holding office at 31 December 1997 had any interest in the company which required to be recorded in the register maintained by the company under Section 325 of the Companies Act 1985, nor did they hold any right to subscribe for shares or debentures in the company.

**AUDITORS**

A resolution to reappoint the auditors, Pannell Kerr Forster, will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD

  
P BANERJEE  
Secretary

30. 3. 1998

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
**(Formerly Hufvudstaden (Marlborough) Limited)**  
**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;
- 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED  
(Formerly Hufvudstaden (Marlborough) Limited)**

We have audited the financial statements on pages 4 to 11, which have been prepared under the accounting policies set out on page 7.

**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.

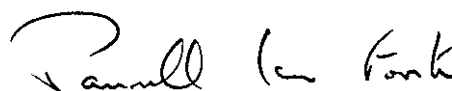
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards. 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 affairs of the company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PANNELL KERR FORSTER  
Chartered Accountants  
Registered Auditors

London

2 April 1998

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
**(Formerly Hufvudstaden (Marlborough) Limited)**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 1997**

	<u>Notes</u>	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Rents receivable		-	302,667
Other operating income		-	8,600
		<hr/>	<hr/>
		-	311,267
Operating costs		-	(105,591)
Administrative expenses		(16,443)	(25,921)
Partial write back of provision for diminution in value	6	6,573,654	-
		<hr/>	<hr/>
Operating profit	2	6,557,211	179,755
Interest receivable	3	-	225,536
Interest payable	4	-	(209,930)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		6,557,211	195,361
Taxation	5	-	-
		<hr/>	<hr/>
Retained profit for the year	11	6,557,211	195,361
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

The company has no recognised gains or losses other than the result for the year shown above.

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
**(Formerly Hufvudstaden (Marlborough) Limited)**  
**BALANCE SHEET**  
**AT 31 DECEMBER 1997**

	<u>Notes</u>	<u>£</u>	<u>1997</u> <u>£</u>	<u>£</u>	<u>1996</u> <u>£</u>
<b>FIXED ASSETS</b>					
Tangible assets	6		27,415,456		9,623,123
Investment	7		2		2
			<hr/>		<hr/>
			27,415,458		9,623,125
<b>CURRENT ASSETS</b>					
Debtors	8	8,388,612		5,515,049	
Cash at bank and in hand		272,818		178,598	
		<hr/>		<hr/>	
		8,661,430		5,693,647	
<b>CREDITORS</b>					
Amounts falling due within one year	9	(26,505,449)		(22,544)	
		<hr/>		<hr/>	
<b>NET CURRENT LIABILITIES</b>			(17,844,019)		(5,671,103)
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			9,571,439		15,294,228
<b>CREDITORS</b>					
Amounts falling due after more than one year	9		-		(12,280,000)
			<hr/>		<hr/>
<b>NET ASSETS</b>			9,571,439		3,014,228
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		16,800,000		16,800,000
Profit and loss account	11		(7,228,561)		(13,785,772)
			<hr/>		<hr/>
<b>SHAREHOLDERS' FUNDS</b>	12		9,571,439		3,014,228
			<hr/>		<hr/>

  
J SVEDIN

Director

30 March 1998

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
**(Formerly Hufvudstaden (Marlborough) Limited)**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
<b>Operating profit before interest and tax</b>		6,557,211	179,755
(Increase) in trade debtors		(3,080,830)	(5,219,464)
Increase/(decrease) in trade creditors		677,227	(132,321)
Write back of provision for diminution in value		(6,573,654)	-
		<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>		(2,420,046)	(5,172,030)
		<hr/>	<hr/>
<b>CASHFLOW STATEMENT</b>			
Net cash outflow from operating activities		(2,420,046)	(5,172,030)
Returns on investments and servicing of finance	13A	(691,772)	(597,545)
Capital expenditure	13A	(10,113,962)	(168,261)
		<hr/>	<hr/>
		(13,225,780)	(5,937,836)
<b>Cash outflow before financing</b>			
Financing	13A	13,320,000	6,000,000
		<hr/>	<hr/>
<b>Increase in cash in the period</b>		94,220	62,164
		<hr/>	<hr/>
<b>Reconciliation of net cash flow movement to movement in net debt</b>	13B		
Increase in cash in the period		94,220	
Cash outflow from reduction in debt		13,225,780	
		<hr/>	
Movement in net debt in the period		13,320,000	
Net debt at 1 January 1997		(12,280,000)	
		<hr/>	
<b>Net debt at 31 January 1997</b>		(25,600,000)	
		<hr/>	



**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
**(Formerly Hufvudstaden (Marlborough) Limited)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**1 ACCOUNTING POLICIES**

**(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, and in accordance with applicable accounting standards.

**(b) Consolidated financial statements**

The group qualifies as 'medium' within the definition of section 249 of the Companies Act 1985. Accordingly, by virtue of section 248 of the Companies Act 1985, consolidated financial statements are not presented. The company's auditors, Pannell Kerr Forster, have confirmed to the directors that the company is entitled to rely on the exemption granted by section 248. The financial statements present information about the company as an individual undertaking and not about the group as a whole.

Investments in subsidiary undertakings are stated at cost.

**(c) Development property**

The site on which the property is located is included at a directors' valuation. All costs associated with the acquisition and development of development property, net of incidental receipts and including interest payable on loans taken out to finance the project are capitalised. No depreciation is to be provided prior to the completion of the development.

**(d) Turnover**

Turnover represents the amounts, excluding value added tax, of rent and recharges received from the tenants.

**(e) Deferred taxation**

Provision is made for deferred tax, using the liability method, to the extent that it is probable that a liability will crystallise in the foreseeable future.

**(f) Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated to sterling at the rate prevailing at the balance sheet date. Transactions in foreign currencies are converted at the rate prevailing at the date of the transaction. All exchange gains and losses are taken to the profit and loss account.

**(g) Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

<b>2</b>	<b>OPERATING PROFIT</b>	<u>1997</u> £	<u>1996</u> £
	Operating profit is stated after charging:		
	Auditors' remuneration - for audit services	7,000	3,903
	- for other services	9,443	5,452
	Directors' emoluments	Nil	Nil
	Operating lease rentals in respect of land and buildings	53,000	53,000
		<u>          </u>	<u>          </u>
<b>3</b>	<b>INTEREST RECEIVABLE</b>		
	Bank interest	-	10,354
	Group interest receivable	-	215,182
		<u>          </u>	<u>          </u>
		-	225,536
		<u>          </u>	<u>          </u>
<b>4</b>	<b>INTEREST PAYABLE</b>		
	Group interest	-	159,543
	Bank interest	-	50,387
		<u>          </u>	<u>          </u>
		-	209,930
		<u>          </u>	<u>          </u>

Interest payable, less receivable in 1997 has been capitalised as a cost of developing the investment property.

**5 TAXATION**

No taxation charge arises on the profit for the year due to the availability of tax losses. The company has estimated unutilised tax losses of approximately £3.8 million available for offset against future profits.

**6 TANGIBLE FIXED ASSET**

	<b>Freehold development property</b>
	<b>£</b>
<b>Cost or valuation</b>	
At 1 January 1997	9,623,123
Additions at cost	5,541,679
Transfer from subsidiary at cost	5,677,000
Partial write back of provision for diminution in value	6,573,654
	<u>          </u>
At 31 December 1997	27,415,456
	<u>          </u>

Prior to 30 June 1996 the property at 14/17 Great Marlborough Street was accounted for as an investment property using a directors' valuation as at December 1995 of £8.8 million on an open market basis.

From 1 July 1996 the property has been accounted for as a development property and all costs associated with the development, net of incidental receipts and including interest payable on loans taken out to finance the project, are capitalised. Upon completion it is intended to hold the property for commercial letting.

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**6 TANGIBLE FIXED ASSET (Continued)**

The adjoining property, at 18 Great Marlborough Street, transferred from Hufvudstaden (Marlborough) Development Limited during the year, has been accounted for as a development property.

At 31 December 1997, based on professional advice, the directors assessed the site value of 14-18 Great Marlborough Street to be £21.6m. Accordingly, they have written back part of the provision previously made against the value of the property.

The historical cost of the total property is £33,641,055 (1996: £22,422,196). Included in the cost are interest charges of £5,138,745 (1996: £4,033,850). Rental income of £42,466 received during the period has been deducted from the cost of the asset.

**7 FIXED ASSET INVESTMENT**

The fixed asset investment represents the cost of the company's holding of 100% of the issued ordinary £1 shares of Hufvudstaden (Marlborough) Developments Limited (formerly Marlborough (West End) Developments Limited).

Hufvudstaden (Marlborough) Developments Limited is registered in England and Wales. At 31 December 1997 the reserves of Hufvudstaden (Marlborough) Developments Limited were £199,470 and its retained profit for the year then ended was £199,409.

**8 DEBTORS**

	<u>1997</u> £	<u>1996</u> £
<b>Amounts falling due within one year:</b>		
Trade debtors	-	31,876
Amounts due from group undertakings	8,118,306	207,267
Prepayments and accrued income	360	28,122
Other debtors	243,446	34,449
	<hr/> 8,362,112	<hr/> 301,714
<b>Amounts falling due after more than one year:</b>		
Amounts due from group undertakings	-	5,186,835
Other debtors	26,500	26,500
	<hr/> 26,500	<hr/> 5,213,335
	<hr/> <b>8,388,612</b>	<hr/> <b>5,515,049</b>

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

<b>9 CREDITORS</b>	<u>1997</u> £	<u>1996</u> £
<b>Amounts falling due within one year:</b>		
Bank loan	25,600,000	-
Amount due to subsidiary undertaking	199,472	-
Accruals and deferred income	705,977	22,544
	<hr/>	<hr/>
	26,505,449	22,544
	<hr/>	<hr/>
<b>Amounts falling due after more than one year:</b>		
Bank loan	-	7,500,000
Loans from group undertakings	-	4,780,000
	<hr/>	<hr/>
	-	12,280,000
	<hr/>	<hr/>
<p>The bank loan forms part of a group revolving loan facility secured on the share capital of Hufvudstaden International (GMS) Limited and Hufvudstaden International (UK) Limited. The current loan is repayable on 15 January 1998 and attracts an interest rate of LIBOR plus 0.85% per annum.</p>		
<b>10 CALLED UP SHARE CAPITAL</b>	<u>1997</u> £	<u>1996</u> £
<b>Authorised</b>		
20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
	<hr/>	<hr/>
<b>Allotted, issued and fully paid</b>		
16,800,000 ordinary shares of £1 each	16,800,000	16,800,000
	<hr/>	<hr/>
<p>There has been no movement in share capital during the year.</p>		
<b>11 PROFIT AND LOSS ACCOUNT</b>	£	
At 1 January 1997	(13,785,772)	
Retained profit for the year	6,557,211	
	<hr/>	
At 31 December 1997	(7,228,561)	
	<hr/>	
<b>12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<u>1997</u> £	<u>1996</u> £
Balance at 1 January 1997	3,014,228	2,818,867
Profit for the financial year	6,557,211	195,361
	<hr/>	<hr/>
Balance at 31 December 1997	9,571,439	3,014,228
	<hr/>	<hr/>

**HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**13 NOTES TO THE CASHFLOW STATEMENT**

	<u>1997</u> £	<u>1996</u> £
<b>(A) Analysis of Cashflow for Headings Netted in the Cashflow Statement</b>		
<b>Returns on investment and servicing of finance</b>		
Interest received	442,874	18,269
Interest paid	(1,134,646)	(615,814)
	<u>(691,772)</u>	<u>(597,545)</u>
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(10,113,962)	(168,261)
	<u>(10,113,962)</u>	<u>(168,261)</u>
<b>Financing</b>		
Repayment of loans	(12,280,000)	-
New loans	25,600,000	6,000,000
	<u>13,320,000</u>	<u>6,000,000</u>

	<b>At 1 January</b> <u>1997</u> £	<b>Cash</b> <u>Flows</u> £	<b>31 December</b> <u>1997</u> £
<b>(B) Analysis of changes in net debt</b>			
Cash in hand and at bank	178,598	94,220	272,818
	<u>178,598</u>	<u>94,220</u>	<u>272,818</u>
Net debt within one year	12,280,000	13,320,000	25,600,000
Net debt due after one year	-	-	-
	<u>12,280,000</u>	<u>13,320,000</u>	<u>25,600,000</u>

**14 COMMITMENTS**

As at 31 December 1997 the company had annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows:

In more than five years	53,000	53,000
	<u>53,000</u>	<u>53,000</u>

HUFVUDSTADEN INTERNATIONAL (GMS) LIMITED  
(Formerly Hufvudstaden (Marlborough) Limited)  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 1997

15 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Diligentia AB a company incorporated in Sweden is regarded by the directors as the ultimate parent company and ultimate controlling party, and is the parent undertaking of the largest group for which group accounts are prepared.

The parent undertaking of the smallest group for which group accounts are prepared is Diligentia AB, incorporated in Sweden.

Group accounts of Diligentia AB are available to the public from Patent-och Registreringsverket, Bolagsavdelningen, 851 - 81 Sundsvall, Sweden.

No disclosure has been made within these financial statements of any transactions or balances with group companies by virtue of the exemptions allowed by Financial Reporting Standard No.8.