

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
(Registered number 2514463)

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 1996



PANNELL KERR FORSTER
Chartered Accountants

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1996

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HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the company and its subsidiary for the year ended 31 December 1996, which show the state of the group's affairs.

PRINCIPAL ACTIVITIES

The principal activity of the company was to hold for commercial letting a freehold property in Central London.

RESULTS

The profit for the year after taxation amounted to £195,361 (1995: £849) which is transferred to reserves. No dividend is recommended.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During 1996 the company commenced redevelopment of its property with a view to subsequent future commercial letting as an investment property.

The company changed its name to Hufvudstaden (Marlborough) Limited from Marlborough (West End) Limited on 12 August 1996.

Hufvudstaden (Marlborough) Developments Limited, a subsidiary of the company, acquired the freehold of a property at 18 Great Marlborough Street, London during June 1996. The intention is to redevelop the property with a view to subsequent commercial letting as an investment property.

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:

Mr O Agri
Mr D Brostrom
Mr J Svedin

The directors at 31 December 1996 had no interest during the year which required to be recorded in the register maintained by the company under Section 325 of the Companies Act 1985.

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

24. 2. 1997

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) 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;
- state whether applicable accounting standards have been followed;
- 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 (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 8.

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.

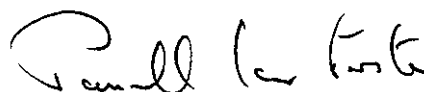
Basis of opinion

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 1996 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

24 February 1997

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
Rents receivable		302,667	558,526
Other operating income		8,600	3,583
		<hr/>	<hr/>
		311,267	562,109
Operating costs		(105,591)	(112,068)
Administrative expenses		(25,921)	(20,706)
		<hr/>	<hr/>
Operating profit	2	179,755	429,335
Interest receivable	3	225,536	16,566
Interest payable	4	(209,930)	(445,052)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		195,361	849
Taxation	5	-	-
		<hr/>	<hr/>
Retained profit for the year	11	195,361	849
		<hr/>	<hr/>


All amounts relate to continuing operations.

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

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
BALANCE SHEET
AT 31 DECEMBER 1996

	<u>Notes</u>	<u>£</u>	<u>1996</u>	<u>£</u>	<u>1995</u>	<u>£</u>
FIXED ASSETS						
Tangible assets	6		9,623,123		9,048,978	
Investment	7		2		2	
			<hr/>		<hr/>	
			9,623,125		9,048,980	
CURRENT ASSETS						
Debtors	8	5,515,049		88,318		
Cash at bank and in hand		178,598		116,434		
		<hr/>		<hr/>		
		5,693,647		204,752		
CREDITORS						
Amounts falling due within one year	9	(22,544)		(1,654,865)		
		<hr/>		<hr/>		
NET CURRENT LIABILITIES			5,671,103		(1,450,113)	
			<hr/>		<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES			15,294,228		7,598,867	
CREDITORS						
Amounts falling due after more than one year	9		(12,280,000)		(4,780,000)	
			<hr/>		<hr/>	
NET ASSETS			3,014,228		2,818,867	
			<hr/>		<hr/>	
CAPITAL AND RESERVES						
Called up share capital	10		16,800,000		16,800,000	
Profit and loss account	11		(13,785,772)		(13,981,133)	
			<hr/>		<hr/>	
SHAREHOLDERS' FUNDS	12		3,014,228		2,818,867	
			<hr/>		<hr/>	

Approved by the board on 24. 2. 1997


J SVEDIN

Director

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1996

	<u>Notes</u>	<u>£</u>	<u>1996</u>	<u>£</u>	<u>1995</u>	<u>£</u>
Net cash (outflow)/inflow from operating activities	A					
			(5,172,030)			412,659
Returns on investments and servicing of finance						
Interest received		18,269		17,962		
Interest paid		(615,814)		(549,567)		
Net cash outflow from returns on investments and servicing of finance			(597,545)			(531,605)
Investing activities						
Purchase of tangible fixed assets			(168,261)			(169,878)
Net cash outflow before financing			(5,937,836)			(288,824)
Financing						
Receipts from issue of shares		-		-		
Repayment of loans		-		-		
New loans		6,000,000		-		
Net cash inflow from financing			6,000,000			-
Increase/(decrease) in cash and cash equivalents	B		62,164			(288,824)

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
NOTES TO THE CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1996

A	RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	1996	1995
		£	£
	Operating profit	179,755	429,335
	(Decrease) in creditors	(132,321)	(32,143)
	(Increase)/decrease in debtors	(5,219,464)	15,467
		<hr/>	<hr/>
	Net cash (outflow)/inflow from operating activities	(5,172,030)	412,659
		<hr/>	<hr/>
 B ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS			
	Cash at bank and in hand:	£	£
	Balance at 1 January 1996	116,434	405,258
	Net cash inflow/(outflow)	62,164	(288,824)
		<hr/>	<hr/>
	Balance at 31 December 1996	178,598	116,434
		<hr/>	<hr/>

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment 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) Investment property

All costs associated with the acquisition and development of investment property, net of incidental receipts and including interest payable on loans taken out to finance the project, are capitalised. Capitalisation of interest and expenses continues until the property is 60% let or until 18 months have elapsed from the date of practical completion, whichever is earlier.

In accordance with Statement of Standard Accounting Practice No. 19 (SSAP 19), investment property is stated in the balance sheet at open market value. Revaluation surpluses and deficits are taken to a revaluation reserve except to the extent that they represent reversals of deficits previously recognised through the profit and loss account.

Also in accordance with SSAP 19 no depreciation is provided in respect of investment property. This is a departure from the requirement of the Companies Act 1985 which requires all assets having a limited useful economic life to be depreciated. The directors consider this treatment necessary in order to show a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which would otherwise have been shown cannot be separately quantified.

(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 as they accrue.

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

2	OPERATING PROFIT	<u>1996</u>	<u>1995</u>
		£	£
	Operating profit is stated after charging:		
	Auditors' remuneration - for audit services	3,903	3,500
	- for other services	5,452	2,725
	Directors' emoluments	Nil	Nil
	Operating lease rentals in respect of land and buildings	53,000	53,000
		<u> </u>	<u> </u>
3	INTEREST RECEIVABLE		
	Bank interest	10,354	14,443
	Other interest receivable	215,182	2,123
		<u> </u>	<u> </u>
		225,536	16,566
		<u> </u>	<u> </u>
4	INTEREST PAYABLE		
	Group interest	159,543	310,611
	Bank interest	50,387	134,441
		<u> </u>	<u> </u>
		209,930	445,052
		<u> </u>	<u> </u>

Bank interest is in respect of loans repayable between one and two years not by instalments.

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 £2,710,000 available for offset against future profits.

6 TANGIBLE FIXED ASSET

	<u>Development</u>
	<u>property</u>
	£
Cost or valuation	
At 1 January 1996	9,048,978
Additions	574,145
	<u> </u>
At 31 December 1996	9,623,123
	<u> </u>

Prior to 30 June 1996 the property was accounted for as an investment property and in December 1995 the directors valued the property at £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.

The historical cost of the property was £22,422,196 (1995: £21,848,051). Included in the cost are interest charges of £4,033,850 (1995: £3,627,966). Rental income of £250,000 received during the period has been deducted from the cost of the asset.

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

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 1996 the reserves of Hufvudstaden (Marlborough) Developments Limited were £63 and its retained profit for the year then ended was £61.

8 DEBTORS

	<u>1996</u> £	<u>1995</u> £
Amounts falling due within one year:		
Trade debtors	31,876	36,434
Amounts due from group undertakings	207,267	-
Prepayments and accrued income	28,122	22,272
Other debtors	34,449	-
	<hr/> 301,714	<hr/> 58,706
Amounts falling due after more than one year:		
Amounts due from group undertakings	5,186,835	-
Other debtors	26,500	29,612
	<hr/> 5,213,335	<hr/> 29,612
	<hr/> 5,515,049	<hr/> 88,318

9 CREDITORS

Amounts falling due within one year:

Bank loan	-	1,500,000
Other taxation	-	24,575
Accruals and deferred income	22,544	130,290
	<hr/> 22,544	<hr/> 1,654,865

Amounts falling due after more than one year:

Bank loan	7,500,000	-
Loans from group undertakings	4,780,000	4,780,000
	<hr/> 12,280,000	<hr/> 4,780,000

The bank loan is guaranteed by Hufvudstaden International AB and is repayable between one and two years and attracts interest at LIBOR plus 0.4% per annum.

Loans from group undertakings bear interest at normal commercial rates and are repayable by agreement after 31 December 1998

HUFVUDSTADEN (MARLBOROUGH) LIMITED
(Formerly Marlborough (West End) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

10 CALLED UP SHARE CAPITAL	1996	1995
	£	£
Authorised		
20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
	<hr/>	<hr/>
Allotted, issued and fully paid		
16,800,000 ordinary shares of £1 each	16,800,000	16,800,000
	<hr/>	<hr/>
There has been no movement in share capital during the year.		
11 PROFIT AND LOSS ACCOUNT	£	
At 1 January 1996	(13,981,133)	
Retained profit for the year	195,361	
	<hr/>	
At 31 December 1996	(13,785,772)	
	<hr/>	
12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1996	1995
	£	£
Profit for the financial year	195,361	849
Balance at 1 January 1996	2,818,867	2,818,018
	<hr/>	<hr/>
Balance at 31 December 1996	3,014,228	2,818,867
	<hr/>	<hr/>
13 COMMITMENTS		
As at 31 December 1996 the company had annual commitments under non-cancellable operating leases in respect of land and buildings expiring as follows:		
Over five years	53,000	53,000
	<hr/>	<hr/>
14 ULTIMATE PARENT COMPANY AND PARENT GROUPS		

AB Custos, incorporated in Sweden is regarded by directors as the ultimate parent company, 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 Hufvudstaden International AB, incorporated in Sweden.

Group accounts of AB Custos and Hufvudstaden International 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 with fellow subsidiaries in accordance with the exemptions allowed by Financial Reporting Standard No.8.