

CITY NORTH GROWTH plc
Annual Report & Accounts

Year ended 31 December 1993



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CITY NORTH GROWTH plc

Annual report and financial statements for the year ended 31 December 1993

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Directors and officers

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Directors

M B Sherley-Dale
J Sherley-Dale
H M Duckworth
S Wavell

Secretary and Registered office

S A Dabby, 8 Baker Street, London W1M 1DA.

Company number

Registered in England No. 2532723

Auditors

Stoy Hayward, 8 Baker Street, London W1M 1DA.

Solicitors

Biddle & Co., 1 Gresham Street, London EC2V 7BU.

Bankers

Bank of Scotland, 38 Threadneedle Street, London EC2P 2EH.
National Westminster Bank PLC, 21 Lombard Street, London EC3P 3AR.

CITY NORTH GROWTH plc

Report of the directors for the year ended 31 December 1993

The directors present their report together with the audited financial statements for the year ended 31 December 1993

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year

The directors do not recommend the payment of a dividend (1992 – £Nil).

Principal activities, review of business and future developments

The principal activities of the Company are the investment, development and letting of properties under residential assured tenancies.

A pre-tax profit of £174,355 was produced in 1993 representing a 70% increase over 1992 (£102,522). Rental income grew by 148% to £460,087 (1992 – £185,516) following the development and letting of Shillington Old School, London SW11, which increased the number of CNG's letting units to 66 and the number of tenants to 105. In October 1993 the Company purchased a development site at 96-98 Gloucester Place, London W1, but this is not expected to contribute rental income until 1995. Tenant occupancy in the existing operations has been excellent at an estimated 96% and shows every sign of being sustained. Annualised rental income is now averaging £550,000 per annum, and should exceed £650,000 per annum after the letting of Gloucester Place.

Costs, including depreciation, have grown by 37% to £206,985 (1992 – £151,584), implying a continued improvement in operating margins. The Company is currently bearing the cost of a development site which is not producing income, but this should not prevent further growth in profits in 1994.

Company borrowings were increased with the acquisition of Gloucester Place, but remain a manageable 41% of shareholders funds at £1.67 million. Debt will increase to £2.0 million as that development is completed, but gearing should not exceed 50%, and interest costs are expected to be twice covered by rental income after expenses.

The asset value of CNG shares is estimated to be 99p per share (1992 – 96p per share). The directors have calculated the valuation yield of the rented portfolio at 11.4%, with the Company's sites in Camden and Belsize Park being the more prestigious locations. The valuation yield of Shillington Old School is assumed to be 12%, and will be boosted by a number of new income producing developments on the site. The directors are optimistic that the asset value of the Company will rise significantly in 1994, and anticipate a positive contribution from the development of Gloucester Place.

It is intended that the Company should continue to be prepared for a stock market flotation in future years, possibly in conjunction with other City North companies.

Market value of freehold properties

The directors consider that the open market value of the Company's properties is not significantly different from cost of £5.76 million at which they are carried in the balance sheet.

CITY NORTH GROWTH plc

Report of the directors for the year ended 31 December 1993 (Cont.)

Significant changes in fixed assets

Movements in fixed assets are set out in note 7 to the financial statements.

Insurance

The Company does not insure officers or auditors against liabilities in relation to the Company.

Directors

The directors of the Company during the year and their beneficial interests in the ordinary share capital of the Company were:

	31 December 1993		31 December 1992	
	Fully paid	Options	Fully paid	Options
M B Sherley-Dale	40,000	161,820	40,000	161,820
J Sherley-Dale	-	80,910	-	80,910
H M Duckworth	-	80,910	-	80,910
S Wavell	-	80,910	-	80,910

Details of options granted to the directors are set out in note 11 to the financial statements.

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;
- 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.

CITY NORTH GROWTH plc

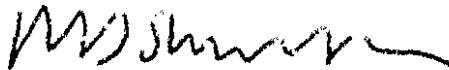
Report of the directors for the year ended 31 December 1993 (Cont.)

Auditors

Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

M B Sherley-Dale



Director

13 April 1994

CITY NORTH GROWTH plc

Profit and loss account for the year ended 31 December 1993

	Note	£	1993 £	£	1992 £
Turnover			460,087		185,516
Administrative expenses:					
Decorations, repairs and maintenance		23,274		45,828	
Salaries, wages and social security		53,986		32,598	
Professional fees		16,550		12,770	
Depreciation		56,561		18,363	
Property expenses		39,090		72,390	
Office expenses		17,524		19,635	
			<u>206,985</u>		<u>151,584</u>
Operating profit	2		253,102		33,932
Interest receivable	4		-		70,236
			<u>253,102</u>		<u>104,168</u>
Interest payable	5		78,747		1,646
Profit on ordinary activities before taxation			174,355		102,522
Taxation on profit on ordinary activities	6		<u>36,094</u>		<u>35,135</u>
Profit on ordinary activities after taxation			138,261		67,387
Retained profit brought forward			<u>78,501</u>		<u>11,114</u>
Retained profit carried forward			<u>216,762</u>		<u>78,501</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 10 form part of these financial statements.

CITY NORTH GROWTH plc

Balance sheet at 31 December 1993

	Note	£	1993 £	£	1992 £
Fixed assets					
Tangible assets	7		5,759,537		4,391,346
Current assets					
Debtors	8	20,961		1,441	
Creditors					
Amounts falling due within one year	9	<u>578,223</u>		<u>384,333</u>	
Net current liabilities			(557,262)		(332,892)
Total assets less current liabilities			5,202,275		4,008,454
Creditors					
Amount falling due after one year	10		<u>1,181,290</u>		<u>125,730</u>
			<u>4,020,985</u>		<u>3,882,724</u>
Capital and reserves					
Called up share capital	11		2,022,735		2,022,735
Share premium account	12		1,781,488		1,781,488
Profit and loss account			<u>216,762</u>		<u>78,501</u>
			<u>4,020,985</u>		<u>3,882,724</u>

These financial statements were approved by the Board on 13 April 1994
M B Sherley-Dale – Director 

Cash flow statement for the year ended 31 December 1993

	Note	£	1993 £	£	1992 £
Net cash inflow/(outflow) from operating activities	14		309,377		(100,217)
Returns on investments and servicing of finance				70,236	
Interest received				(1,646)	
Interest paid		<u>(78,747)</u>			
Net cash (outflow)/inflow from returns on investments and servicing of finance			(78,747)		68,590
Taxation			(24,750)		(10,860)
Taxation paid					
Investing activities					
Purchase of fixed assets			<u>(1,424,752)</u>		<u>(3,057,155)</u>
Net cash outflow before financing			(1,218,872)		(3,099,642)
Financing					
Issue of shares				1,890,581	
Bank loan		<u>1,284,520</u>		<u>344,130</u>	
Net cash inflow from financing	15		<u>1,284,520</u>		<u>2,234,711</u>
Increase/(decrease) in cash and cash equivalents	16		<u>65,648</u>		<u>(864,931)</u>

The notes on pages 7 to 10 form part of these financial statements.

CITY NORTH GROWTH plc

Notes forming part of the financial statements for the year ended 31 December 1993

1. Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents rental income arising solely within the United Kingdom.

Freehold properties

Freehold properties subject to residential assured tenancies are carried as fixed assets at cost, less any provision for permanent diminution in value, until the expiry of the Business Expansion Scheme qualifying period whereupon they will either be sold or reclassified as investment properties.

Freehold development property

The freehold property in the course of development is carried at cost less any provision for permanent diminution in value. When the development is complete, the property will be let under residential assured tenancies under the Business Expansion Scheme.

Depreciation

Depreciation is provided to write off the cost of fixtures and fittings, computer equipment and motor vehicles over their expected useful lives at a rate of 20% per annum.

No depreciation is charged on freehold properties as the directors consider that residual values, based on prices prevailing at the time of acquisition, will be in excess of cost.

Leased assets

Where assets are acquired by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between their capital and interest components using the actuarial method. The interest is charged to the profit and loss account. The capital part reduces the amounts payable to the lessor.

All other leases are treated as "operating leases". Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2. Operating profit is stated after charging:

	1993 £	1992 £
Depreciation		
Auditors' remuneration	56,561	18,363
and services	5,500	5,500
other	1,536	3,400
	<u>63,597</u>	<u>27,263</u>

3. Employees

The average weekly number of employees during the year was 3 (1992 - 3).

Staff costs consist of	Wages and salaries	
	49,423	30,440
	4,563	2,158
	<u>53,986</u>	<u>32,598</u>

No director received any emoluments during the year.

CITY NORTH GROWTH plc

Notes forming part of the financial statements for the year ended 31 December 1993 (Cont.)

4. Interest receivable

	1993 £	1992 £
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Bank deposits		70,236
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5. Interest payable and similar charges

Bank loans and overdrafts	78,747	1,646
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6. Taxation

U.K. corporation tax at 25% (1992 - 25%) based on profit for the year	46,022	35,275
Overprovision in previous year	(9,928)	(140)
	36,094	35,135

7. Tangible fixed assets

	Freehold properties £	Freehold development property £	Fixtures and fittings £	Motor vehicle £	Computer equipment £	Total £
Cost						
At 1 January 1993	2,756,322	1,563,301	83,177	6,443	-	4,411,437
Transfer	2,062,720	(2,062,720)	-	-	-	-
Additions	-	1,233,764	190,988	-	-	1,424,752
At 31 December 1993	4,819,042	734,345	274,165	6,443	2,194	5,836,189
Depreciation						
At 1 January 1993	-	-	16,635	2,578	878	20,091
Provided for the year	-	-	54,833	1,289	439	56,561
At 31 December 1993	-	-	71,468	3,867	1,317	76,652
Net book value						
At 31 December 1993	4,819,042	734,345	202,697	2,576	877	5,759,537
At 31 December 1992	2,756,322	1,563,301	66,542	3,865	1,316	4,411,346

The Company had authorised and contracted capital commitments of £350,000 at 31 December 1993 in respect of freehold development property (1992 - £500,000)

8. Debtors

	1993 £	1992 £
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Trade debtors	18,313	-
Prepayments and accrued income	2,648	1,441
	20,961	1,441

These amounts are all due within one year

CITY NORTH GROWTH plc

Notes forming part of the financial statements for the year ended 31 December 1993 (Cont.)

9. Creditors falling due within one year	1993	1992
	£	£
Bank loan and overdrafts (note 10)	489,594	326,282
Other creditors	33,116	16,244
Taxation and social security	2,131	732
Accruals and deferred income	6,763	5,800
Corporation tax	46,619	35,275
	<u>578,223</u>	<u>384,333</u>

10. Creditors falling due after one year

Bank loan	<u>1,181,290</u>	<u>125,730</u>
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The bank loan and overdrafts are secured on certain of the Company's freehold properties

11. Share capital

Authorised		
11,500,000 ordinary shares of 50p each	<u>5,750,000</u>	<u>5,750,000</u>
Allotted, called up and fully paid		
4,045,470 ordinary shares of 50p each	<u>2,022,735</u>	<u>2,022,735</u>

Options have been granted to the directors as follows

- (1) In respect of 206,600 ordinary shares of 50p each exercisable at any time between 31 December 1995 and 31 December 1997 at a price of £1 per share provided the Company has achieved a net asset value equivalent to £1 50 per 50p ordinary share
- (2) In respect of 197,950 ordinary shares of 50p each exercisable at any time between 31 December 1996 and 31 December 1998 at a price of £1 05 per share provided the Company has achieved a net asset value equivalent to £1 50 per 50p ordinary share

These are also exercisable prior to 31 December 1995 and 31 December 1996 respectively if an offer is made for the issued share capital of the Company and that offer becomes unconditional whether or not the asset value of £1 50 per 50p ordinary share is achieved

12. Share premium account

	£
At 1 January 1993 and 31 December 1993	<u>1,781,488</u>

13. Transactions involving directors

During the year the Company entered into transactions amounting to £4,000 with Chicktower Design and Construction Limited in which both M B Sherley-Dale and J Sherley-Dale have a material interest (1992 – £18,704)

During the year the Company entered into transactions with Mrs S E Duckworth (trading as Duckworth & Co), the wife of H M Duckworth, amounting to £2,000 (1992 – £24,250)

During the year the Company entered into transactions amounting to £5,968 with City North Properties PLC, a company in which M B Sherley-Dale, J Sherley-Dale and H M Duckworth are directors (1992 – Nil)

CITY NORTH GROWTH plc

Notes forming part of the financial statements for the year ended 31 December 1993 (Cont.)

14. Reconciliation of operating profit to net cash movement from operating activities.

	1993 £	1992 £
Operating profit	253,102	33,932
Depreciation	56,561	18,363
Increase in debtors	(19,520)	(1,441)
Increase/(decrease) in creditors	19,234	(151,071)
Net cash inflow/(outflow) from operating activities	<u>309,377</u>	<u>(100,217)</u>

15. Analysis of changes in financing during the year

	Share capital (including premium) £	Bank loan £	Total £
At 31 December 1991	1,913,642	-	1,913,642
Net cash inflow	<u>1,890,581</u>	<u>344,130</u>	<u>2,234,711</u>
At 31 December 1992	3,804,223	344,130	4,148,353
Net cash inflow	-	<u>1,284,520</u>	<u>1,284,520</u>
At 31 December 1993	<u>3,804,223</u>	<u>1,628,650</u>	<u>5,432,873</u>

16. Analysis of changes in cash and cash equivalents

	Bank overdraft £	Cash at bank £	Total £
At 31 December 1991	-	757,049	757,049
Net cash outflow	<u>(107,882)</u>	<u>(757,049)</u>	<u>(864,931)</u>
At 31 December 1992	(107,882)	-	(107,882)
Net cash inflow	<u>65,648</u>	-	<u>65,648</u>
At 31 December 1993	<u>(42,234)</u>	-	<u>(42,234)</u>

Report of the auditors

To the Members of City North Growth plc

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the 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.

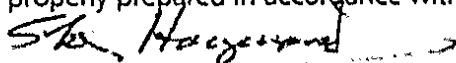
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 misstatements, 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 as at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Stoy Hayward
Chartered Accountants and Registered Auditors
London

13 April 1994

CITY NORTH GROWTH plc

Notice of meeting


Notice is hereby given that the Annual General Meeting of the Company will be held at Shillington Old School, 181 Este Road, London, SW11 2TB on Friday 20 May 1994 at 5.15 pm for the purpose of transacting the following ordinary business:

Resolutions

1. To receive and approve the financial statements for the year ended 31 December 1993, and the report of the directors and auditors thereon.
2. To re-elect J Sherley-Dale as a director of the Company.
3. To re-appoint Stoy Hayward as auditors of the Company for the ensuing year, and to authorise the directors to fix their remuneration

By order of the Board

S A Dabby
Secretary



13 April 1994

Note: In accordance with section 372 of the Companies Act 1985, a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

A statement made up of all transactions of each director and their connected persons, and their interest in the share capital of the Company is included in the notes to the financial statements and in the report of the directors.

Copies of contracts of service for all directors of the Company will be available for inspection at Biddle & Co., 1 Gresham Street, London, EC2V 7BU during the normal business hours on any weekday (Saturdays and Bank Holidays excepted) from the date of this notice until the date of the Annual General Meeting and will also be available at the Annual General Meeting for at least fifteen minutes prior to and during the meeting.

Instruments appointing proxies must be lodged with Sue Wavell at Shillington Old School, 181 Este Road, London, SW11 2TB not less than forty-eight hours before the time fixed for the meeting. The proxy card is included herewith.

CITY NORTH GROWTH plc

Annual General Meeting

Form of proxy for use of shareholders

I/We

of
being (a) member(s) of the above-named Company, hereby appoint the Chairman of the meeting

or (see Note 2)
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held at Shillington Old School, 181 Este Road, London, SW11 2TB on Friday 20 May 1994 at 5.15 p.m. and at any adjournment thereof

I/We wish this proxy to be used as shown below:

Signed _____ Date _____ 1994

Please delete as appropriate below* how you wish your votes to be cast. This proxy will be used only in the event of a poll being directed or demanded. If the form is returned without any indication as to how the proxy shall vote on any particular matter, the proxy will vote or abstain as he thinks fit.

Resolution

1. To receive and approve the financial statements for the year ended 31 December 1993 and the reports of the directors and auditors thereon. FOR/AGAINST*
2. To re-elect J Sherley-Dale as a director of the Company FOR/AGAINST*
3. To re-appoint Messrs Stoy Hayward as auditors of the Company for the ensuing year and to authorise the directors to fix their remuneration. FOR/AGAINST*

- Notes:
1. The names of the holders should be stated in block capitals.
 2. If it is desired to appoint a proxy other than the Chairman of the Meeting his name and address should be inserted, the reference to the Chairman deleted and the alteration initialled. A proxy need not be a member of City North Growth plc.
 3. In the case of joint holders, the signature of one holder will be accepted. An individual should either sign himself or by his attorney. A corporation should execute the form under its common seal or by its attorney or duly authorised officer.
 4. Unless otherwise indicated, the proxy will vote or abstain from voting as he thinks fit.
 5. This Form of proxy together with the Power of attorney (if any) under which it is signed, or a duly certified copy thereof, must be lodged with Sue Wavell at Shillington Old School, 181 Este Road, London SW11 2TB not less than forty-eight hours before the time appointed for holding the meeting.