

Company No. 02566960

CENTRO PROPERTY SERVICES LIMITED
DIRECTORS REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 1997



CENTRO PROPERTY SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997

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Directors

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Directors

R.P. Harwood FRICS FSVA
P.R. Harwood
J.P. Harwood

Secretary and Registered Office

D.E. Walker
Mid-day Court, 30 Brighton Road, Sutton, Surrey SM2 5BN

Company number

2566960

Auditors

Brooks & Co., Hampton House, High Street, East Grinstead
West Sussex RH19 3AW

CENTRO PROPERTY SERVICES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 1997

The directors present their report together with the audited financial statements for the year ended 31 March 1997.

Results and dividends

The profit and loss account is set out on page 3 and shows the results for the year. the directors do not recommend the payment of a dividend for the year under review.

Principal activities, trading review and future developments

Throughout the year the activities of the company continued to relate to the provision of professional services associated with property valuation in its various forms, commercial and residential property management, the provision of professional advice on building matters associated with the maintenance and repair of buildings, and consultancy services in relation to redevelopment.

The company's activities have been further extended by the provision of maintenance support services to the management division with some selective refurbishment to flats and other property under management. The directors believe further growth will be achieved in the forthcoming year and intend to seek additional opportunities through which to enhance its market share in the future.

Charitable contributions

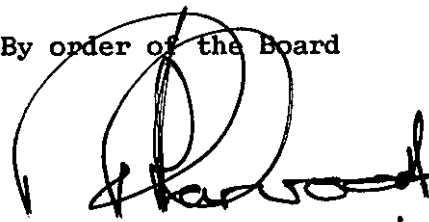
During the year the company made charitable contributions of £111.

Directors

The directors of the company during the year and their interests in its ordinary share capital were:

	At 31 March	
	1997	1996
R.P. Harwood	-	33,329
P.R. Harwood	-	3,332
J.P. Harwood	-	3,332

By order of the Board



R.P. Harwood

Director

Dated: 31/10/1997

CENTRO PROPERTY SERVICES LIMITED**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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; and
- 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.

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.

FUNDAMENTAL UNCERTAINTY

In forming our opinion, we have considered the adequacy of the disclosures made in note 10 of the financial statements concerning the uncertainty as to the recoverability of the related party debts. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

CENTRO PROPERTY SERVICES LIMITED**AUDITORS' REPORT TO THE SHAREHOLDERS**

(Continued)

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its loss the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Brooks & Co

Brooks & Co.
Registered Auditors
Hampton House
High Street, East Grinstead
West Sussex RH19 3AW

Date: 14 January 1998

CENTRO PROPERTY SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997

	Note	Year ended 31 March 1997	Year ended 31 March 1996
		£	£
Turnover	2	559503	524954
Administrative expenses		<u>(562311)</u>	<u>(500356)</u>
Operating (loss)/profit		(2808)	24598
Interest payable	4	<u>(13908)</u>	<u>(11599)</u>
(Loss)/Profit on ordinary activities before taxation	5	(16716)	12999
Taxation	7	<u>(3590)</u>	<u>(7326)</u>
(Loss)/Profit on ordinary activities after taxation	13	<u>(20306)</u>	<u>5673</u>

All income and operating profit derive from discontinued operations following the transfer of the business to Centro plc on 31st March 1997.

There were no recognised gains or losses other than the results for the year.

A reconciliation of movements in shareholders' funds is not provided, as there are no changes other than the retained loss for the year shown above.

The notes on pages 5 to 11 form part of these financial statements.

CENTRO PROPERTY SERVICES LIMITED

BALANCE SHEET AT 31 MARCH 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	8		-		88994
Current assets					
Stocks	9	-		11183	
Debtors	10	11286		130439	
Cash at bank and in hand		-		22207	
Centro plc current account		<u>10599</u>		<u>-</u>	
		<u>21885</u>		<u>163829</u>	
Creditors: amounts falling due within one year					
Trade creditors		-		33583	
Other creditors		-		22327	
Taxation and social security -					
Inland Revenue		-		13470	
Social Security		-		2074	
Customs & Excise		-		32152	
Current instalments due on hire purchase agreements		-		43061	
Corporation tax		<u>-</u>		<u>9251</u>	
		<u>-</u>		<u>155918</u>	
Net current assets			<u>21885</u>		<u>7911</u>
Total assets less current liabilities			21885		96905
Creditors: amounts falling due after more than one year	11		-		8694
Accruals and deferred income			<u>-</u>		<u>46020</u>
			<u>21885</u>		<u>42191</u>
CAPITAL AND RESERVES					
Called up share capital	12		39994		39994
Share premium account			2004		2004
Profit and loss account	13		<u>(20113)</u>		<u>193</u>
SHAREHOLDERS FUNDS			<u>21885</u>		<u>42191</u>

Signed on behalf of the board

.....

R.P. Harwood - Director

Date: 31st October 1997

CENTRO PROPERTY SERVICES LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST MARCH 1997

	£	1997 £	£	1996 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		42970		60921
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest paid	(13908)		(11599)	
Net cash outflow from returns on investments and servicing of finance		(13908)		(11599)
TAXATION		(4932)		-
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(108711)		(11188)	
Receipts from sale of fixed assets	<u>38551</u>		<u>5200</u>	
Net cash outflow from capital expenditure		(70160)		(5988)
Cash outflow/inflow before financing			(34875)	43334
FINANCING				
Net inflow/outflow from H.P. creditors	<u>46877</u>		(21708)	
Net cash inflow/outflow from financing		<u>46887</u>		(21708)
INCREASE IN CASH		<u>847</u>		<u>21626</u>

CENTRO PROPERTY SERVICES LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST MARCH 1997

RECONCILIATION OF OPERATING PROFIT TO
NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1997	1996
£	£	£
Operating loss/profit	(2808)	24598
Depreciation	24275	23880
Loss on fixed asset disposal	5028	1743
Decrease/increase in stocks	9183	(599)
Decrease/increase in debtors	18042	(5633)
Increase/decrease in creditors	(10750)	16932
	<u>42970</u>	<u>60921</u>

RECONCILIATION OF NET CASH FLOW MOVEMENT
TO MOVEMENT IN NET DEBT

Increase in cash in the period	847	21626
Net inflow/outflow from H.P.creditors	(46877)	<u>21708</u>
Change in net debt	(46030)	43334
Net debt at 1st April 1996	(29548)	<u>72882</u>
Net debt at 31st March 1997	(75578)	(29548)

ANALYSIS OF CHANGES IN NET DEBT

	1.4.96	Cash flow	31.3.97
Cash in hand, at bank	22207	847	23054
Debt due within 1 year	(43061)	18068	(24993)
Debt due after 1 year	<u>(8694)</u>	<u>(64945)</u>	<u>(73639)</u>
	(29548)	(46030)	(75578)

CENTRO PROPERTY SERVICES LIMITED**Notes forming part of the financial statements****For the year ended 31 March 1997****1. Accounting policies**

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

Turnover

Turnover represents sales and management recharges, net of credit notes and discounts, to external customers and related parties respectively at invoiced amounts less value added tax. Turnover is entirely attributable to sales within the United Kingdom.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following annual rates using the straight line basis:

Leasehold improvements	- 20%
Motor vehicles	- 33 1/3% (from month of acquisition)
Computer equipment	- 25%
Fixtures and fittings	- 25%

Obligations under hire purchase agreements

Where assets are acquired by way of agreements that give rights approximating to ownership (hire purchase contracts), the assets are treated as if they had been purchased outright. The amount capitalised is the actual value of the vehicle as if purchased outright. The corresponding repayment commitments are shown as amounts payable to the financier. Depreciation on the relevant assets is charged to the profit and loss account.

Hire purchase payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the contract. The capital part reduces the amounts payable to the financier. 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.

Any operating leases have their annual rentals charged to the profit and loss account on a straight line basis over the term of the lease.

CENTRO PROPERTY SERVICES LIMITED

Notes forming part of the financial statements

For the year ended 31 March 1997 (Continued)

1. Accounting Policies (Continued)

Work in progress and stocks

Work in progress comprises attributable costs for projects in progress at the balance sheet date and stocks represent advertising material which is stated at cost.

Taxation

Charges for taxation are based on the results for the year end, where applicable, take into account taxation deferred because of the timing differences between the treatment of certain items for accounting and taxation purposes.

2. Turnover and profits

Turnover and profit before taxation are wholly attributable to property management and valuation and various related services and arise solely within the United Kingdom.

3. Employees and directors

The average weekly number of employees during the year, including directors, was 16 (1996: 16).

	1997 £	1996 £
Staff costs including directors consist of:		
Wages and salaries	183900	194490
Social security costs	<u>16577</u>	<u>16332</u>
	<u>200477</u>	<u>210822</u>
Directors' emoluments comprise:		
Remuneration as executives (including car benefits)	<u>15510</u>	<u>15707</u>
4. Interest payable		
On bank overdraft	2854	1963
On hire purchase agreements	10963	9256
Other interest	<u>91</u>	<u>380</u>
	<u>13908</u>	<u>11599</u>

CENTRO PROPERTY SERVICES LIMITED

Notes forming part of the financial statements

For the year ended 31 March 1997 (Continued)

5. Profit on ordinary activities before and after taxation

	1997 £	1996 £
This is arrived at after charging:		
Depreciation of tangible assets	24275	23880
Hire of plant and machinery	-	324
Property rental payments	32041	32000
Auditors' remuneration - audit services	<u>3105</u>	<u>2500</u>

6. Directors's Emoluments

Salary (including benefits in kind)	<u>15510</u>	<u>15707</u>
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The highest paid director received emoluments of £7946.

The number of directors (including the highest paid director) who received emoluments in the following range was:

£5001 - £10000	2	2
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7. Taxation on profit on ordinary activities

UK Corporation tax at 24% (1996: 25%)	3590	7369
Adjustment re prior year	<u>-</u>	<u>(43)</u>
	<u>3590</u>	<u>7326</u>

CENTRO PROPERTY SERVICES LIMITED

Notes forming part of the financial statements

For the year ended 31 March 1997 (Continued)

8. Tangible assets

	Leasehold improvements	Motor vehicles	Computer equipment	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At 1 April 1996	12,000	124,342	12,167	17,334	165,843
Additions	-	95,105	13,606	-	108,711
Disposals	-	(70,174)	-	-	(70,174)
Transferred to group undertaking	(12,000)	(149,273)	(25,773)	(17,334)	(204,380)
At 31 March 1997	-	-	-	-	-
Depreciation					
At 1 April 1996	10,200	37,148	12,167	17,334	76,849
Charge for the year	1,800	20,930	1,545	-	24,275
Eliminated on disposal	-	(26,595)	-	-	(26,595)
Transferred to group undertaking	(12,000)	(31,483)	(13,712)	(17,334)	(74,529)
At 31 March 1997	-	-	-	-	-
Net book value					
At 31 March 1997	-	-	-	-	-
At 31 March 1996	<u>1,800</u>	<u>87,194</u>	<u>-</u>	<u>-</u>	<u>88,994</u>

In 1996 the net book value of tangible fixed assets includes an amount of £87,194 in respect of motor vehicles held under hire purchase agreements. The related depreciation charge for the year was £17,559 for motor vehicles.

9. Stocks

	1997 £	1996 £
Work in progress	-	3869
Stock of advertising material	-	<u>7314</u>
	<u>-</u>	<u>11183</u>

CENTRO PROPERTY SERVICES LIMITED

Notes forming part of the financial statements

For the year ended 31 March 1997 (Continued)

	1997	1996
10. Debtors		
Amounts receivable within one year:		
Trade debtors	-	18423
Other debtors (note 15)	11286	18116
Prepayments and accrued income	-	<u>3782</u>
Amounts receivable in more than one year	11286	40321
Other debtors (note 15)	-	90118
	<u>11286</u>	<u>130439</u>

The recovery of the amounts shown as receivable in more than one year remains dependent upon the future trading performance of two related companies, Centro Services Limited and Centro Commercial Limited. No provision has been made against any possible non-recovery of these debts because the chairman of this company and these two related companies, who is closely involved with the activities of all three, has confirmed his confidence in the ability of the related companies to pay the debts due. Furthermore he is satisfied with the amounts remaining outstanding for more than twelve months from the balance sheet date taking account of the special business relationship that exists between the three companies.

11. Creditors: amounts falling due after more than one year

	1997 £	1996 £
Loan from group company	-	-
Obligations under hire purchase agreements (due 1-2 years)	-	6750
Obligations under hire purchase agreements (due 2-5 years)	-	<u>1944</u>
	<u>-</u>	<u>8694</u>

CENTRO PROPERTY SERVICES LIMITED

Notes forming part of the financial statements

For the year ended 31 March 1997 (Continued)

12. Share capital

	Authorised		Allotted, called up and fully paid	
	1997	1996	1997	1996
	£	£	£	£
Ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>	<u>39,994</u>	<u>39,994</u>

13. Profit and loss account

	£	£
At 1 April 1996	193	(5480)
Retained (loss)/profit for year	<u>(20306)</u>	<u>5673</u>
At 31 March 1997	<u>(20113)</u>	<u>193</u>

14. Commitments under operating leases

As at 31 March, the company had annual commitments under non-cancellable operating leases as set out below:

	1997	Other 1996	Land and buildings	
	£	£	1997	1996
			£	£
Operating leases which expire:				
Between two and five years	1298	1688	-	-
In over five years	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>

CENTRO PROPERTY SERVICES LIMITED

Notes forming part of the financial statements

For the year ended 31 March 1997

15. Related party transactions and balances

Related party	Transactions during year	Amount £
R.P. Harwood	Rent payable	<u>32,000</u>
Centro Group Limited	Management recharges receivable	<u>49342</u>
Centro Services Limited	Management charges receivable	<u>22,533</u>

Centro Property Services Limited and Centro Services Limited are companies of which R.P. Harwood, P.R. Harwood and J.P. Harwood are directors and shareholders.

Centro plc (formerly Core Property plc) is a company of which R.P. Harwood is a director and shareholder. At the balance sheet date the balance with this company was £11286 (within other debtors due within one year). This balance arose during the ordinary course of trade.

16. Recognised gains and losses and movements in shareholders' funds

Recognised gains and losses, together with movements in shareholders' funds, are wholly reflected by the profit and loss account on page 4. There is no material difference between reported and historical cost profits and losses.

17. Holding Company

The company is a wholly owned subsidiary of Centro plc, a company incorporated in Great Britain.