

2585612

SERVITE DEVELOPMENT SERVICES LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

31ST MARCH 1997



SERVITE DEVELOPMENT SERVICES

Directors

D H Piper (Chairman)
Victor J O'Brien (resigned 16/1/97)
Roger L Arkell (appointed 16/1/97)
Francis P Higgins
Martin J Palmer (appointed 16/1/97)
Martin F Shirley

Secretary

Paul C Phillips (appointed 7/11/96)

Registered Office

2 Bridge Avenue
London W6 9JP

Auditors

Robson Rhodes
Chartered Accountants
186 City Road
London EC1V 2NU

Principal Solicitors

Devonshires
Salisbury House
London Wall
London EC2M 5QY

Principal Bankers

Lloyds Bank plc
26 Hammersmith Broadway
Hammersmith
London W6 7AH

Registered

Limited Company No 2585612

SERVITE DEVELOPMENT SERVICES

DIRECTORS' REPORT

The directors submit their annual report together with the audited financial statements of the company for the year ended 31st March 1997.

ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company owns an office block for commercial letting and is developing other residential property. The company supplies fuel and power to its parent undertaking.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £11,328, which when added to the loss brought forward of £10,898 leaves a loss to be carried forward of £22,226.

No dividend is proposed.

FIXED ASSETS

The significant changes in tangible fixed assets during the year are detailed in the notes to these financial statements.

DIRECTORS AND THEIR INTERESTS.

The directors who held office during the year are named above.

None of the directors had any beneficial interest in the issued share capital of the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.

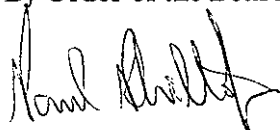
The directors consider that in preparing the financial statements the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and for ensuring that the financial statements comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Following a change of auditors from Shipleys to Robson Rhodes in November 1996, a resolution to re-appoint Robson Rhodes as auditors will be proposed at the Annual General Meeting.

By Order of the Board



Paul Phillips
Secretary

3rd July 1997

SERVITE DEVELOPMENT SERVICES

AUDITORS' REPORT TO THE MEMBERS OF SERVITE DEVELOPMENT SERVICES LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared on the basis of 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 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.

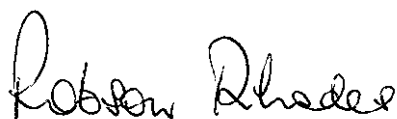
Basis of opinion

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 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 mis-statement, 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 31st March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and Registered Auditor

London

4th July 1997

SERVITE DEVELOPMENT SERVICES

PROFIT AND LOSS ACCOUNT for the year ended 31st March 1997

	Notes	1997		1996	
		£	£	£	£
TURNOVER - continuing operations	1.1		1,021,351		1,419,683
COST OF SALES					
Construction costs		979,993		701,147	
Less: Work in progress		(117,689)		(2,840)	
		<u>862,304</u>		<u>698,307</u>	
Fuel and power costs		<u>128,283</u>		<u>692,192</u>	
			990,587		1,390,499
GROSS PROFIT			<u>30,764</u>		<u>29,184</u>
Other income			102,000		85,000
Administrative expenses			<u>(63,328)</u>		<u>(59,335)</u>
OPERATING PROFIT - continuing operations			69,436		54,849
Interest receivable			31,098		66,287
Interest payable			<u>(102,000)</u>		<u>(85,091)</u>
			<u>(1,466)</u>		<u>36,045</u>
Covenant to parent undertaking			<u>(15,000)</u>		<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2		(16,466)		36,045
Taxation	4		<u>5,138</u>		<u>(14,500)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR			(11,328)		21,545
(LOSS) BROUGHT FORWARD			<u>(10,898)</u>		<u>(32,443)</u>
(LOSS) CARRIED FORWARD			<u>(22,226)</u>		<u>(10,898)</u>

The retained profit for the year was the only recognised gain or loss in the year.

All assets are stated in the financial statements at historical cost. Therefore, no adjustments are required to the reported profit which is stated on an unmodified historical cost basis.

The notes on pages 6 to 8 form part of these financial statements.

SERVITE DEVELOPMENT SERVICES

BALANCE SHEET

for the year ended 31st March 1997

		1997		1996	
	Notes	£	£	£	£
FIXED ASSETS	5				
Tangible assets			3,352,304		3,408,704
CURRENT ASSETS					
Work in progress	6	117,689		2,840	
Debtors and prepayments	7	296,400		250,892	
Cash at bank and in hand		26,962		122,377	
		441,051		376,109	
CREDITORS: Amounts falling due within one year	8	(556,761)		(878,723)	
NET CURRENT LIABILITIES			(115,710)		(502,614)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,236,594		2,906,090
CREDITORS: Amounts falling due after more than one year	9		(3,258,818)		(2,916,986)
			(22,224)		(10,896)
CAPITAL AND RESERVES					
Called up share capital			2		2
Profit and loss account			(22,226)		(10,898)
EQUITY SHAREHOLDERS' FUNDS			(22,224)		(10,896)

Approved by the Board on 3rd July 1997.



D H Piper
Director



F P Higgins
Director

The notes on pages 6 to 8 form part of these financial statements.

SERVITE DEVELOPMENT SERVICES

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with the following accounting policies:

1.1 Turnover

Turnover represents amounts receivable for the provision of building services, and the supply of fuel and power.

1.2 Depreciation of tangible fixed assets

Depreciation of tangible fixed assets is provided at annual rates calculated to write off the cost less estimated residual value, over the estimated useful life as follows:

Freehold property:	2% per annum
Freehold land is not depreciated	

1.3 Cash flow statement

The company is a small company as defined by sections 246 and 247 of the Companies Act 1985. It has therefore taken advantage of the exemption conferred by Financial Reporting Standard Number 1 not to prepare a cash flow statement.

1.4 Work in progress

Work in progress is valued at the lower of cost and net realisable value after taking into account payments on account.

2	(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1997 £	1996 £
	This is stated after charging:		
	Depreciation	56,400	56,423
	Auditors' remuneration - audit work	2,000	2,000
	Auditors' remuneration - other work	950	-

3 STAFF NUMBERS AND COSTS

The directors, who were the only employees of the company, received no remuneration during the year under review.

4	TAXATION	1997 £	1996 £
	United Kingdom corporation tax based on the taxable profit for the year at 24% (1996 : 25%)	-	8,450
	Over-provision for previous year	(5,138)	6,050
		<u>(5,138)</u>	<u>14,500</u>

SERVITE DEVELOPMENT SERVICES

NOTES TO THE FINANCIAL STATEMENTS

5 TANGIBLE FIXED ASSETS

Cost	Freehold Property £	
At 1st April 1996 and 31st March 1997	3,604,634	
Depreciation		
At 1st April 1996	195,930	
Charge for the year	56,400	
At 31st March 1997	<u>252,330</u>	
Net Book Value		
At 31st March 1997	3,352,304	
At 31st March 1996	<u><u>3,408,704</u></u>	

6 WORK IN PROGRESS

	1997 £	1996 £
Construction cost	<u>117,689</u>	<u>2,840</u>

7 DEBTORS AND PREPAYMENTS

Amount due from parent undertaking	244,308	31,443
Other debtors	35,362	12,771
Prepayments and accrued income	16,730	206,678
	<u>296,400</u>	<u>250,892</u>

8 CREDITORS: Amounts falling due within one year

Bank overdraft	16,940	-
Trade creditors	104,879	54,717
Amount due to parent undertaking	336,798	629,772
Corporation tax	-	14,500
Other taxation and social security	3,600	10,604
Accruals	94,544	169,130
	<u>556,761</u>	<u>878,723</u>

SERVITE DEVELOPMENT SERVICES

NOTES TO THE FINANCIAL STATEMENTS

9	CREDITORS: Amounts falling due after more than one year	1997	1996
		£	£
	Amount due to parent undertaking	<u>3,258,818</u>	<u>2,916,986</u>

The balance due to the parent undertaking is secured by a legal charge over the freehold property. The balance is subject to an interest charge of £102,000 for the year to 31st March 1997 (1996 - £85,000).

The parent undertaking has indicated that it would give at least twelve months notice if repayment was required.

10	SHARE CAPITAL	1997	1996
		£	£
	Authorised		
	1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 ULTIMATE PARENT UNDERTAKING

In the opinion of the directors the ultimate parent undertaking is Servite Houses which is incorporated in the UK and registered in England under the Industrial and Provident Societies Acts (No. 3237R).