

2585612

SERVITE DEVELOPMENT SERVICES LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

31 MARCH 2001



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SERVITE DEVELOPMENT SERVICES LIMITED

FINANCIAL STATEMENTS For the year ended 31 March 2001

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SERVITE DEVELOPMENT SERVICES LIMITED

Directors

D H Piper DL (until 14/9/00)
Francis P Higgins KSG (Chairman)
Martin Palmer BA MCIH (until 31/5/00)
Marta Phillips BA MSc CA
Martin Shirley MA (until 14/9/00)
John F Macqueen (from 14/9/00)
Bill Patey (from 06/7/00)
David Bayliss (from 06/7/00)

Secretary

Paul Phillips BSc FCCA

Registered Office

2 Bridge Avenue
London W6 9JP

Auditors

RSM Robson Rhodes
Chartered Accountants
186 City Road
London EC1V 2NU

Principal Solicitors

Devonshires
Salisbury House
London Wall
London EC2M 5QY

Principal Bankers

Lloyds TSB Bank plc
26 Hammersmith Broadway
Hammersmith
London W6 7AH

Registered

Limited Company No 2585612

SERVITE DEVELOPMENT SERVICES LIMITED

DIRECTORS' REPORT

The directors submit their annual report together with the audited financial statements of the company for the year ended 31 March 2001.

ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The company owns an office block for commercial letting and is developing other residential property. The company supplied fuel and power to its parent undertaking in the year prior to that under review. This activity has now ceased.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £50,881 which when added to the loss brought forward of £126,543 leaves a loss to be carried forward of £177,424. 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 on page 2. None of the directors had any beneficial interest in the issued share capital of the company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom 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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

AUDITORS

The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

APPROVAL

The report of the directors was approved by the Board on 5 July 2001 and signed on its behalf by:



Paul Phillips
Secretary

SERVITE DEVELOPMENT SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SERVITE DEVELOPMENT SERVICES LIMITED

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

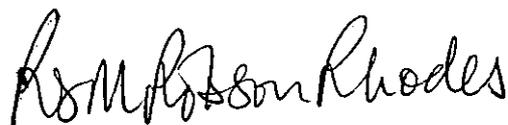
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors

London, England
6 July 2001

SERVITE DEVELOPMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2001

	Notes	2001		2000	
		£	£	£	£
TURNOVER - continuing operations	1		6,729,041		8,580,255
- discontinued operations			0		13,095
			<u>6,729,041</u>		<u>8,593,350</u>
COST OF SALES					
Continuing operations					
Construction costs		7,721,540		9,096,728	
Less: Work in progress		(1,137,351)		(701,175)	
		<u>6,584,189</u>		<u>8,395,553</u>	
Discontinued operations					
Fuel and power costs		0		13,095	
			<u>6,584,189</u>		<u>8,408,648</u>
GROSS PROFIT			<u>144,852</u>		<u>184,702</u>
Other income			120,000		120,000
Administrative expenses			(60,595)		(60,331)
OPERATING PROFIT			<u>204,257</u>		<u>244,371</u>
Interest receivable			6,862		5,097
Interest payable			(102,000)		(102,020)
			<u>109,119</u>		<u>147,448</u>
Covenant to parent undertaking			(160,000)		(190,000)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2		(50,881)		(42,552)
Taxation	4		-		-
(LOSS) FOR THE FINANCIAL YEAR			(50,881)		(42,552)
(LOSS) BROUGHT FORWARD			<u>(126,543)</u>		<u>(83,991)</u>
(LOSS) CARRIED FORWARD			<u>(177,424)</u>		<u>(126,543)</u>

The retained loss for the year was the only recognised gain or loss in the year.
Operating profit, other income and administrative expenses all relate to continuing operations.

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 8 to 11 form part of these financial statements.

SERVITE DEVELOPMENT SERVICES LIMITED

BALANCE SHEET

For the year ended 31 March 2001

		2001		2000	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	5		3,127,928		3,184,405
CURRENT ASSETS					
Work in progress	6	1,137,351		701,175	
Debtors and prepayments	7	134,796		1,166,102	
Cash at bank and in hand		1,757		50,801	
		1,273,904		1,918,078	
CREDITORS: Amounts falling due within one year	8		(1,152,221)		(1,758,772)
NET CURRENT ASSETS			121,683		159,306
TOTAL ASSETS LESS CURRENT LIABILITIES			3,249,611		3,343,711
CREDITORS: Amounts falling due after more than one year	9		(3,427,033)		(3,470,252)
			(177,422)		(126,541)
Called up share capital	10		2		2
Profit and loss account			(177,424)		(126,543)
EQUITY SHAREHOLDERS' FUNDS	11		(177,422)		(126,541)

Approved by the Board on

The notes on pages 8 to 11 form part of these financial statements.



F Higgins
Chairman



M Phillips
Director

SERVITE DEVELOPMENT SERVICES LIMITED

CASHFLOW STATEMENT

For the year ended 31 March 2001

		2001		2000	
	Notes	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	12		89,313		128,856
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		6,862		5,097	
Interest paid		<u>(102,000)</u>		<u>(102,020)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(95,138)		(96,923)
CAPITAL EXPENDITURE					
Payments to acquire fixed assets			-		-
NET CASH OUTFLOW BEFORE FINANCING			<u>(5,825)</u>		<u>31,933</u>
FINANCING					
Loan received from / (repaid to) Parent			(43,219)		(52,732)
(DECREASE) / INCREASE IN CASH			<u>(49,044)</u>		<u>(20,799)</u>

The notes on pages 8 to 11 form part of these financial statements.

SERVITE DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost of convention in accordance with the applicable accounting standards. The going concern basis of preparation has been adopted on the basis of continued financial support by the parent undertaking. The particular accounting policies adopted are described below.

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 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) ON ORDINARY ACTIVITIES BEFORE TAXATION	2001	2000
		£	£
	This is stated after charging:		
	Depreciation	56,477	56,506
	Auditors' remuneration - audit work	2,550	2,550
	Auditors' remuneration - other work	950	950
		<u> </u>	<u> </u>

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	2001	2000
		£	£
	United Kingdom corporation tax based on the taxable profit for the year at 20% (2000 : 20%)	<u> </u>	<u> </u>

SERVITE DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

5 TANGIBLE FIXED ASSETS

Freehold Property

Cost

At 1 April 2000 and 31 March 2001

£
3,606,090

Depreciation

At 1 April 2000
Charge for the year
At 31 March 2001

421,685
56,477
478,162

Net Book Value

At 31 March 2001
At 31 March 2000

3,127,928
3,184,405

6 WORK IN PROGRESS

Construction cost

	2001	2000
	£	£
Construction cost	<u>1,137,351</u>	<u>701,175</u>

7 DEBTORS AND PREPAYMENTS

Amount due from parent undertaking
Other debtors

	2001	2000
	£	£
Amount due from parent undertaking	108,072	874,038
Other debtors	<u>26,724</u>	<u>292,064</u>
	<u>134,796</u>	<u>1,166,102</u>

8 CREDITORS: Amounts falling due within one year

Trade creditors
Accruals

	2001	2000
	£	£
Trade creditors	750,497	1,281,272
Accruals	<u>401,724</u>	<u>477,500</u>
	<u>1,152,221</u>	<u>1,758,772</u>

SERVITE DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

9	CREDITORS: Amounts falling due after more than one year	2001 £	2000 £
	Amount due to parent undertaking	<u>3,427,033</u>	<u>3,470,252</u>
	<p>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 31 March 2001 (2000 - £102,000).</p> <p>The parent undertaking has indicated that it would give at least twelve months notice if repayment was required.</p>		
10	SHARE CAPITAL	2001 £	2000 £
	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	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2001 £	2000 £
	Total recognised losses relating to the year	(50,881)	(42,552)
	Opening balance	<u>(126,541)</u>	<u>(83,989)</u>
	Closing balance	<u>(177,422)</u>	<u>(126,541)</u>
12	RECONCILIATION OF OPERATING SURPLUS TO CASH INFLOW FROM OPERATING ACTIVITIES	2001 £	2000 £
	Operating Profits	204,257	244,371
	Less Covenant to Parent	<u>(160,000)</u>	<u>(190,000)</u>
		44,257	54,371
	Depreciation charges	56,477	56,506
	Increase in work in progress	(436,176)	(648,712)
	Decrease/(Increase) in debtors	1,031,306	(1,009,991)
	Increase/(Decrease) in creditors	<u>(606,551)</u>	<u>1,676,682</u>
	NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>89,313</u>	<u>128,856</u>

SERVITE DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

13 RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT

	2001	2000
	£	£
(Decrease) in cash	(49,044)	(20,799)
Cash outflow from payments to Servite Houses	43,219	52,732
Net debt at 31 March 2000	<u>(3,419,451)</u>	<u>(3,451,384)</u>
Net debt at 31 March 2001	<u>(3,425,276)</u>	<u>(3,419,451)</u>

14 ANALYSIS OF NET DEBT

	1 April 2000	Cash Flow	31 March 2001
	£	£	£
Cash at bank and in hand	50,801	(49,044)	1,757
Loan from Parent Undertaking	(3,470,252)	43,219	(3,427,033)
	<u>(3,419,451)</u>	<u>(5,825)</u>	<u>(3,425,276)</u>

15 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. 12752R).