

CHELSFIELD PROPERTY INVESTMENTS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2000



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CHELSEFIELD PROPERTY INVESTMENTS LIMITEDDIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2000.

Principal activity

The company's principal activity is property investment. It is anticipated that this principal activity will continue for the foreseeable future.

Results and dividend

The results for the year are shown in the profit and loss account on page 3. The retained loss for the year of £460,792 (1999 - profit - £2,982,348) has been transferred to reserves.

The directors do not recommend the payment of a dividend (1999 - £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

E Bernerd
RE Butler
WN Hugill
D Phillips

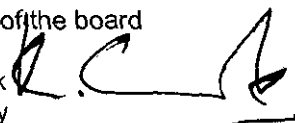
None of the directors had any interest in the share capital of the company during the year. Their interests in the share capital of the ultimate holding company, Chelsfield plc, are disclosed in the financial statements of that company.

Auditors

A resolution proposing the re-appointment of KPMG Audit Plc as auditors of the company will be submitted to the Annual General Meeting.

By order of the board

K A Cook
Secretary
6 July 2001



67 Brook Street
London
W1K 4NJ

CHELSFIELD PROPERTY INVESTMENTS LIMITEDDIRECTORS' RESPONSIBILITIES

The directors are required by law to prepare financial statements, based on applicable accounting standards, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the year.

The directors consider that, in preparing the financial statements, suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made.

The directors prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF CHELSFIELD PROPERTY INVESTMENTS LIMITED

We have audited the financial statements on pages 3 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described above, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

Basis of audit 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 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 the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

LONDON

9 July 2001

CHELSEFIELD PROPERTY INVESTMENTS LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 31 December 2000

	Notes	2000 £	1999 £
Net rents receivable	1	7,732,510	9,138,559
Administrative expenses	2	(3,410,791)	(3,149,190)
Other income		13,111	6,360
Operating profit		<u>4,334,830</u>	<u>5,995,729</u>
Dividends from subsidiary undertakings		665,000	-
(Loss)/profit on disposal of fixed assets	3	(291,258)	152,447
Profit on ordinary activities before net finance costs		<u>4,708,572</u>	<u>6,148,176</u>
Net finance costs	4	(6,665,083)	(3,134,048)
(Loss)/profit on ordinary activities before taxation		<u>(1,956,511)</u>	<u>3,014,128</u>
Taxation credit / (charge)	5	1,495,719	(31,780)
Retained (loss)/profit for the year	11	<u>(460,792)</u>	<u>2,982,348</u>

The above results relate entirely to continuing operations.

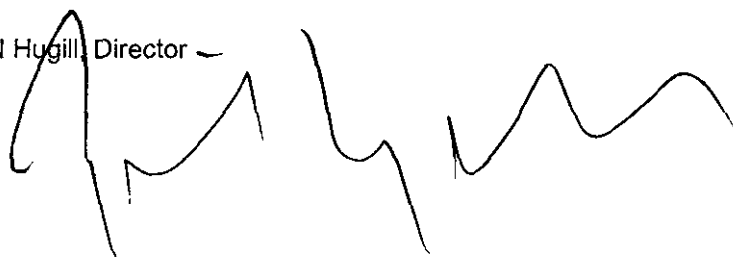
Details of reserve movements are set out in notes 10 and 11 to these accounts.

CHELSEFIELD PROPERTY INVESTMENTS LIMITEDBALANCE SHEETAt 31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	6	134,629,000	126,053,227
Investments	6	5,049,504	24,619,504
		<u>139,678,504</u>	<u>150,672,731</u>
Current assets			
Debtors	7	2,028,754	2,145,664
Creditors - amounts falling due within one year	8	<u>(90,566,475)</u>	<u>(107,229,524)</u>
Net current liabilities		<u>(88,537,721)</u>	<u>(105,083,860)</u>
Net assets		<u>51,140,783</u>	<u>45,588,871</u>
Capital and reserves			
Called up share capital	9	36,400,002	36,400,002
Revaluation reserve	10	3,913,634	(2,043,981)
Profit and loss account	11	10,827,147	11,232,850
Equity shareholders' funds		<u>51,140,783</u>	<u>45,588,871</u>

Approved by the board of directors on 6 July 2001 and signed on its behalf by:

WN Hugill, Director



CHELSFIELD PROPERTY INVESTMENTS LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2000

	2000 £	1999 £
(Loss)/profit for the year	(460,792)	2,982,348
Unrealised surplus on revaluation of investment properties	6,012,704	1,817,022
Total recognised gains and losses	<u>5,551,912</u>	<u>4,799,370</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 December 2000

(Loss)/profit on ordinary activities before taxation	(1,956,511)	3,014,128
Realisation of property revaluation surplus of previous years	55,089	76,916
Historical cost (loss)/profit on ordinary activities before taxation	<u>(1,901,422)</u>	<u>3,091,044</u>
Historical cost (loss)/profit on ordinary activities after taxation	<u>(405,703)</u>	<u>3,059,264</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2000

Total recognised gains and losses, as above	5,551,912	4,799,370
Opening shareholders' funds	45,588,871	40,789,501
Closing shareholders' funds	<u>51,140,783</u>	<u>45,588,871</u>

CHELSEFIELD PROPERTY INVESTMENTS LIMITEDACCOUNTING POLICIESBasis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under historical cost accounting rules, as modified for the revaluation of certain land and buildings.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to produce group accounts.

Properties

Properties held as investments are shown as fixed assets and are stated at cost in the year of acquisition and at valuation on the basis of open market value in subsequent years. If, in the opinion of the directors, a property has been subject to a material change in value as a result of a change in circumstances in the year of acquisition, then it is stated at valuation on the basis of open market value.

In accordance with Statement of Standard Accounting Practice No. 19 (as amended):

- (i) investment properties are revalued annually at open market value. All surpluses and deficits arising on valuation are taken directly to the revaluation reserve, except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and
- (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the property valuations and the amount which might otherwise have been shown cannot be separately identified or quantified.

Profit/(loss) on sales of investment properties is recognised in the profit and loss account on completion of the sale and by reference to carrying value.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Cashflow statement

A consolidated cashflow is published in the group accounts of Chelsfield plc, the ultimate holding company. The company is exempt under Financial Reporting Standard No. 1 from publishing its own cashflow statement.

Related party transactions

The related party transactions note included in the consolidated financial statements of the ultimate parent undertaking complies with the conditions of Financial Reporting Standard No. 8 (FRS8) 'Related party transactions'. The company is therefore exempt under FRS8 from the requirement to prepare a separate note.

CHELSEFIELD PROPERTY INVESTMENTS LIMITEDNOTES TO THE ACCOUNTS

	2000 £	1999 £
1	<u>NET RENTS RECEIVABLE</u>	
Gross rents receivable	11,358,142	12,385,901
Direct property outgoings	(3,625,632)	(3,247,342)
	<u>7,732,510</u>	<u>9,138,559</u>
2	<u>ADMINISTRATIVE EXPENSES</u>	
Group management charge	3,378,682	3,133,574
Bank charges	1,969	1,981
Other administrative expenses	30,140	13,635
	<u>3,410,791</u>	<u>3,149,190</u>
None of the directors received any remuneration from the company during the year (1999 - £nil).		
The company has no employees.		
Audit fees are paid by Chelsfield Management Services Limited and accounted for on a group basis.		
3	<u>(LOSS)/PROFIT ON DISPOSAL OF FIXED ASSETS</u>	
Sale proceeds	23,170,000	900,000
Cost of investments/property	(23,388,799)	(735,525)
Other sales costs	(72,459)	(12,028)
	<u>(291,258)</u>	<u>152,447</u>
Both sale proceeds and cost of investments for the current year include £19,570,000 relating to the sale of shares in Wentworth Group Holdings Limited to a fellow subsidiary undertaking.		
4	<u>NET FINANCE COSTS</u>	
Bank interest receivable	1,732	4,610
Other interest receivable	5,301	2,925
	<u>7,033</u>	<u>7,535</u>
Bank interest payable	(4,918)	(450)
Interest payable to group undertakings	(6,667,198)	(3,141,133)
	<u>(6,665,083)</u>	<u>(3,134,048)</u>
5	<u>TAXATION</u>	
Group relief payable receivable / (payable)	<u>1,495,719</u>	<u>(31,780)</u>

NOTES TO THE ACCOUNTS (continued)

6 FIXED ASSETSInvestment
properties
£**Tangible Assets**

At 1 January 2000	126,053,227
Additions	6,402,389
Revaluation surplus	5,992,183
Disposals	(3,818,799)
At 31 December 2000	134,629,000

The freehold and long leasehold investment properties were independently valued at 31 December 1999 by Insignia Richard Ellis Limited, Chartered Surveyors. The valuations were on the basis of 'open market value' as defined in the Guidance Notes prepared by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors.

The value of land and buildings comprises:	2000 £	1999 £
Freehold buildings at valuation	43,500,000	36,600,000
Long leasehold buildings at valuation	91,129,000	89,453,227
	134,629,000	126,053,227

The cost of the buildings held at valuation was £130,680,798 (1999 - £128,097,208).

Bank loans totalling £165,000,000 made to the ultimate parent undertaking, Chelsfield plc, are secured on certain investment properties of the company.

Investments	Other unlisted investments £	Subsidiary undertakings £	Limited Partnership £	Total investments £
At 1 January 2000	19,570,000	5,000,004	49,500	24,619,504
Disposals	(19,570,000)	-	-	(19,570,000)
At 31 December 2000	-	5,000,004	49,500	5,049,504

The investment in subsidiary undertakings represents 100% of the issued share capital of London Fields Limited, which is registered in England and Wales, and of Southwark Properties Limited, which is registered in Jersey.

The investment in limited partnership represents a 49.5% share of The St Catherine's House Limited Partnership.

Group accounts are not produced as the company is a wholly owned subsidiary of a UK company which produces group accounts. In the opinion of the directors, the value of the investment in the subsidiary is not less than the amount shown above.

7 DEBTORS

	2000 £	1999 £
Trade debtors	345,957	991,451
Amounts owed by subsidiary undertaking	189,018	189,018
Group relief receivable	796,042	-
Other debtors	5,250	442,119
Prepayments and accrued income	692,487	523,076
	2,028,754	2,145,664

CHELSEFIELD PROPERTY INVESTMENTS LIMITEDNOTES TO THE ACCOUNTS (continued)

8	<u>CREDITORS: amounts falling due within one year</u>	2000 £	1999 £
	Bank overdraft	460,755	39,408
	Rents in advance	1,443,191	1,887,118
	Trade creditors	889,764	318,890
	Amounts owed to ultimate holding company	86,968,102	103,457,917
	Group relief payable	-	699,677
	Other creditors	53,982	-
	Accruals and deferred income	750,681	826,514
		<u>90,566,475</u>	<u>107,229,524</u>

9	<u>CALLED UP SHARE CAPITAL</u>	Authorised £	Allotted, called up and fully paid £
	Ordinary shares of £1 each	<u>37,000,000</u>	<u>36,400,002</u>

There were no changes during the year in either the authorised or allotted share capital.

10	<u>REVALUATION RESERVE</u>	2000 £	1999 £
	At 1 January	(2,043,981)	(3,784,087)
	Net surplus on revaluation of investment properties	6,012,704	1,817,022
	Net surplus realised on sale of investment properties	(55,089)	(76,916)
	At 31 December	<u>3,913,634</u>	<u>(2,043,981)</u>

11	<u>PROFIT AND LOSS ACCOUNT</u>		
	At 1 January	11,232,850	8,173,586
	Retained (loss)/profit for the year	(460,792)	2,982,348
	Net surplus realised on sale of investment properties	55,089	76,916
	At 31 December	<u>10,827,147</u>	<u>11,232,850</u>

12 HOLDING COMPANIES

The immediate holding and controlling company is Chelsfield (UK) plc and the ultimate holding and controlling company is Chelsfield plc, both of which are registered in England and Wales. The accounts of the ultimate holding company, which is both the largest and smallest group in which the results of the company are consolidated, are available from 67 Brook Street, London, W1K 4NJ.