

Registration Number 2616459

CHELSFIELD PROPERTY INVESTMENTS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1996



CHELSEFIELD PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 1996.

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 profit for the year of £9,215,295 has been transferred to reserves.

The directors do not recommend the payment of a dividend (1995 - £nil).

Fixed assets

Information relating to changes in fixed assets and the basis of property valuations is given in note 7 to the accounts.

Directors and directors' interests

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

E Bernerd	
MHA Broke	(resigned 1 April 1996)
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

8 July 1997

67 Brook Street
London W1Y 2NJ

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 10.

Respective responsibilities of directors and auditors

As described above, the 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 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 affairs of the company as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

LONDON

14 July 1997

CHELSFIELD PROPERTY INVESTMENTS LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 31 December 1996

	Notes	1996 £	1995 £
Net rents receivable	1	10,964,453	10,172,485
Administrative expenses	2	(1,764,745)	(937,245)
Operating profit		9,199,708	9,235,240
Profit on disposal of fixed asset investment properties	3	-	146,646
Net reversal of provisions against fixed assets	4	-	2,365,000
Profit on ordinary activities before net interest receivable		9,199,708	11,746,886
Net interest receivable	5	15,587	3,903
Profit on ordinary activities before taxation		9,215,295	11,750,789
Taxation	6	-	-
Profit for the year	12	9,215,295	11,750,789

The above results relate entirely to continuing operations.

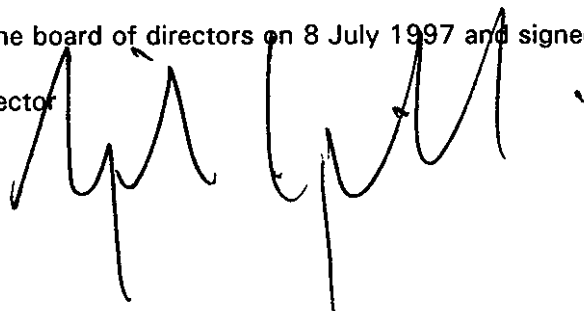
Details of reserve movements are set out in notes 11 and 12 to these accounts.

CHELSFIELD PROPERTY INVESTMENTS LIMITEDBALANCE SHEETAt 31 December 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	7	120,745,000	108,057,028
Investments	7	5,000,002	5,000,002
		<u>125,745,002</u>	<u>113,057,030</u>
Current assets			
Debtors	8	1,817,025	1,592,146
Cash at bank		271,457	134,211
		<u>2,088,482</u>	<u>1,726,357</u>
Creditors - amounts falling due within one year	9	(98,222,250)	(94,428,515)
Net current liabilities		<u>(96,133,768)</u>	<u>(92,702,158)</u>
Total assets less current liabilities		<u>29,611,234</u>	<u>20,354,872</u>
Capital and reserves			
Called up equity share capital	10	36,400,002	36,400,002
Revaluation reserve	11	(11,895,114)	(11,936,181)
Profit and loss account	12	5,106,346	(4,108,949)
		<u>29,611,234</u>	<u>20,354,872</u>

Approved by the board of directors on 8 July 1997 and signed on its behalf by:

WN Hugill, Director



CHELSFIELD PROPERTY INVESTMENTS LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSESFor the year ended 31 December 1996

	1996 £	1995 £
Profit for the year	9,215,295	11,750,789
Unrealised surplus/(deficit) on revaluation of investment properties	41,067	(6,223,031)
Total recognised gains and losses	<u>9,256,362</u>	<u>5,527,758</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSESFor the year ended 31 December 1996

Profit on ordinary activities before and after taxation	9,215,295	11,750,789
Historical cost profit on ordinary activities before and after taxation	<u>9,215,295</u>	<u>11,750,789</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDSFor the year ended 31 December 1996

Total recognised gains and losses, as above	9,256,362	5,527,758
Opening shareholders' funds	20,354,872	14,827,114
Closing shareholders' funds	<u>29,611,234</u>	<u>20,354,872</u>

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

Depreciation of other fixed tangible assets

Depreciation is provided to write off the cost of other fixed tangible assets, less any residual values, by equal instalments over their estimated economic lives as follows:

Office equipment	-	3 to 10 years
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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 (Revised) from publishing its own cashflow statement.

Related party transactions

The related party transactions note included in the consolidation 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

	1996 £	1995 £
1	<u>NET RENTS RECEIVABLE</u>	
Gross rents receivable	13,941,368	13,119,158
Direct property outgoings	(2,976,915)	(3,038,534)
Premiums receivable on lease surrenders	-	91,861
	<u>10,964,453</u>	<u>10,172,485</u>
2	<u>ADMINISTRATIVE EXPENSES</u>	
Bank facility fees	2,054	1,557
Group management charge	1,757,914	930,495
Other administrative expenses	4,445	4,968
Depreciation	332	225
	<u>1,764,745</u>	<u>937,245</u>
None of the directors received any remuneration from the company during the year.		
The company has no employees.		
Audit fees are paid by Chelsfield Management Services Limited and accounted for on a group basis.		
3	<u>PROFIT ON DISPOSAL OF FIXED ASSET INVESTMENT PROPERTIES</u>	
Property sale proceeds	-	822,500
Property cost of sales	-	(658,479)
Other sales costs	-	(17,375)
	-	<u>146,646</u>
4	<u>NET REVERSAL OF PROVISION AGAINST FIXED ASSETS</u>	
Reversal of provision against investment in subsidiary undertaking	-	2,365,000
	-	<u>2,365,000</u>
5	<u>NET INTEREST RECEIVABLE</u>	
Other interest payable	(3,475)	(4,978)
Interest receivable	19,062	8,881
	<u>15,587</u>	<u>3,903</u>

CHELSEFIELD PROPERTY INVESTMENTS LIMITEDNOTES TO THE ACCOUNTS (continued)6 TAXATION

No taxation liability arises on the results for the year because of available losses within the company.

If the company's investment properties were sold at the net amount at which they are stated in the financial statements, it is not anticipated that any actual liability would arise.

7 FIXED ASSETS

	Investment properties £	Office Equipment £	Subsidiary undertaking £	Total £
At 1 January 1996	108,055,000	2,028	5,000,002	113,057,030
Additions	12,648,933	-	-	12,648,933
Depreciation charge for the year	-	(332)	-	(332)
Revaluation surplus	41,067	-	-	41,067
Disposals	-	(1,696)	-	(1,696)
At 31 December 1996	120,745,000	-	5,000,002	125,745,002

The investment in subsidiary undertaking represents 100% of the issued share capital of London Fields Limited, a company registered in England and Wales.

Group accounts are not produced as the company is a wholly owned subsidiary of a UK company which produces group accounts.

The freehold and long leasehold investment properties were independently valued at 31 December 1996 by St Quintin, 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:

	1996 £	1995 £
Freehold buildings at valuation	63,950,000	44,350,000
Long leasehold buildings at valuation	56,795,000	63,705,000
	120,745,000	108,055,000

The cost of the buildings held at valuation was £132,640,114 (1995 - £119,991,181).

CHELSFIELD PROPERTY INVESTMENTS LIMITEDNOTES TO THE ACCOUNTS (continued)8 DEBTORS

Trade debtors	1,477,335	807,991
Amounts owed by subsidiary undertaking	189,018	189,018
Prepayments and accrued income	150,672	595,137
	<u>1,817,025</u>	<u>1,592,146</u>

9 CREDITORS: amounts falling due within one year

	1996 £	1995 £
Overdraft	141,244	-
Rents in advance	1,467,935	1,107,910
Trade creditors	235,837	950,143
Amounts owed to holding company	94,691,001	89,787,409
Other creditors	410,601	466,419
Accruals and deferred income	1,275,632	2,116,634
	<u>98,222,250</u>	<u>94,428,515</u>

10 CALLED UP EQUITY SHARE CAPITAL

	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 the authorised or called up share capital.

11 REVALUATION RESERVE

	1996 £	1995 £
At beginning of year	(11,936,181)	(5,713,150)
Net deficit on revaluation of investment properties	41,067	(6,223,031)
	<u>(11,895,114)</u>	<u>(11,936,181)</u>

CHELSEFIELD PROPERTY INVESTMENTS LIMITEDNOTES TO THE ACCOUNTS (continued)12 PROFIT AND LOSS ACCOUNT

	1996 £	1995 £
At beginning of year	(4,108,949)	(15,859,738)
Retained profit for the year	9,215,295	11,750,789
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At end of year	5,106,346	(4,108,949)
	=====	=====

13 ULTIMATE HOLDING COMPANY

The ultimate holding company is Chelsfield plc, a company registered in England and Wales, a copy of whose consolidated accounts may be obtained from 67, Brook Street, London W1Y 2NJ.