

REGISTRARS COPY.

FORMALDEAL PROPERTY MANAGEMENT LIMITED

Company number: 2918379

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1996

ARTHUR GODDARD & CO.

Chartered Accountants

2 St. John's Place

St. John's Square

London EC1M 4DE



FORMALDEAL PROPERTY MANAGEMENT LIMITED

<u>INDEX</u>	<u>PAGE</u>
Details of Directors, Secretary and Registered Office, Auditors and Bankers	1
Report of the Directors	2 - 3
Auditors' Report	4
Income and Expenditure Account	5
Statement of Total Recognised Gains and Losses	6
Balance Sheet	7
Notes to the Accounts	8 - 10
Statement of Estate Management and Maintenance Costs	11
Service Charge Statement	12

FORMALDEAL PROPERTY MANAGEMENT LIMITED

SECRETARY AND REGISTERED OFFICE:

KINLEIGH LIMITED
KFH House
Norstead Place
London SW15 3SA

DIRECTORS:

J.S. Slaughter
Mrs S.K. Shelton-Agar
Z. Okhai

AUDITORS:

ARTHUR GODDARD & CO
Chartered Accountants
2 St John's Place
St John's Square
London EC1M 4DE

COMPANY BANKERS:

NATIONAL WESTMINSTER BANK PLC
153 Putney High Street
Putney
London SW15 1RX

FORMALDEAL PROPERTY MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1996

The directors submit herewith their report and accounts of the company for the year ended 31st December 1996.

Results

The net surplus after taxation for the period was £NIL of which £NIL has been transferred to the maintenance reserve. Due to the nature of the company's activities no dividends are payable.

Review of the company's activities and future developments

The principal activity of the company is the ownership of the freehold property and collection of ground rent and service charges from the leaseholders and in the opinion of the directors this is unlikely to change in the future.

Market value

In the opinion of the directors the value of the freehold property has not materially changed since its purchase.

Directors and their interests

The directors throughout the year were as shown on the previous page.

Each director held one share in the company throughout their period of office. In accordance with the company's Articles of Association Mr J Slaughter will retire at the Annual General Meeting, but is eligible for re-election without nomination.

FORMALDEAL PROPERTY MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1996

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view. In preparing those financial statements, the directors are required to:-

1. Select suitable accounting policies and then apply them on a consistent basis making judgements and estimates that are prudent and reasonable.
2. Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

At the forthcoming Annual General Meeting it will be proposed that the company's auditors, Messrs. Arthur Goddard & Co., be re-appointed as the company's auditors to undertake an audit for the ensuing year.

30th July 1997

BY ORDER OF THE BOARD

E. Parker
Kinleigh Limited

KINLEIGH LIMITED
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF
FORMALDEAL PROPERTY MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described in the directors' report, 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 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 31st December 1996 and of its result for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

2 St. John's Place,
St. John's Square,
London, EC1M 4DE.

Date: *15TH SEPTEMBER 1997*


ARTHUR GODDARD & CO.

Chartered Accountants

Registered Auditor

FORMALDEAL PROPERTY MANAGEMENT LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1996

	<u>NOTE</u>	<u>Year to</u> <u>31.12.96</u> <u>£</u>	<u>1.5.95 to</u> <u>31.12.95</u> <u>£</u>
Turnover	2	8,787	27,900
Costs of maintenance and services		<u>6,162</u>	<u>5,047</u>
		2,625	22,853
Less: Administrative expenses		<u>2,784</u>	<u>2,196</u>
Operating (deficit)/surplus	3	(159)	20,657
Interest receivable and similar income	4	<u>210</u>	<u>590</u>
Surplus on ordinary activities before taxation		51	21,247
Taxation	5	<u>51</u>	<u>35</u>
Surplus on ordinary activities after taxation		-	21,212
Transfer to reserves		<u>-</u>	<u>21,211</u>
<u>Surplus for the year</u>		<u>£ -</u>	<u>£ 1</u>

CONTINUING OPERATIONS

The above costs do not include £1,354 (1995 £NIL) of specific maintenance expenditure which has been deducted directly from the maintenance reserve (note 10).

The company was incorporated on 14th April 1995 and acquired its freehold property during the period to 30th April 1996. None of the company's activities were discontinued during the above two financial periods.

FORMALDEAL PROPERTY MANAGEMENT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER 1996

	<u>1996</u>	<u>1995</u>
Surplus on ordinary activities after taxation	-	21,212
Specific maintenance expenditure deducted directly from reserves	<u>(1,354)</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u>£ (1,354)</u>	<u>£ 21,212</u>

FORMALDEAL PROPERTY MANAGEMENT LIMITED

BALANCE SHEET

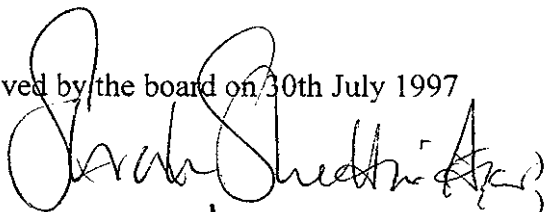
AS AT 31ST DECEMBER 1996

	<u>NOTE</u>	<u>31.12.96</u> £	<u>31.12.95</u> £
<u>TANGIBLE FIXED ASSETS</u>			
Freehold Property	6	13,144	13,144
 <u>CURRENT ASSETS</u>			
Debtors	7	10,594	27,896
Cash at bank and in hand		<u>22,268</u>	<u>6,362</u>
		32,862	34,258
<u>CREDITORS: amounts falling due within one year</u>	8	<u>(15,174)</u>	<u>(16,416)</u>
Net current assets		<u>17,688</u>	<u>17,842</u>
NET ASSETS		<u>£30,832</u>	<u>£30,986</u>

CAPITAL AND RESERVES

Called up share capital	9	11	11
Maintenance reserve	10	<u>28,254</u>	<u>28,394</u>
EQUITY SHAREHOLDERS' FUNDS	11	28,265	28,405
Share of general maintenance reserve attributable to non member	10	<u>2,567</u>	<u>2,581</u>
		<u>£30,832</u>	<u>£30,986</u>

Approved by the board on 30th July 1997



) Directors
)
)
)

FORMALDEAL PROPERTY MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

1. Accounting Policies

(a) The accounts are prepared under the historical cost convention.

(b) No depreciation is provided on the freehold property as there is adequate expenditure each year to maintain the property and ensure that there is no diminution in value. Although this is a departure from company law, in the opinion of the directors, it is necessary in order to present a true and fair view. The effect of this departure is considered to be not material, as the property is held on a long lease.

(c) Expenditure for cyclical maintenance is shown as a deduction from the maintenance reserve, set out in the notes to the accounts. This expenditure is not included in the Income and Expenditure Account.

The annual transfer to maintenance reserve is shown in the Income and Expenditure Account and under the reserves note.

2. Turnover

Turnover represents service charges receivable from lessees.

3. Operating (deficit)/surplus

	<u>1996</u>	<u>1995</u>
Operating surplus/(deficit) is stated after charging:-		
Auditors' remuneration (including VAT)	£ 546	£ 786
	==	==

4. Interest receivable and similar income

	<u>1996</u>	<u>1995</u>
Bank deposit income	210	140
Ground rent receivable	-	450
	£210	£590
	==	==

5. Taxation

Corporation tax has been provided at the rate of 24.25% (1995: 25%) on deposit interest received:-

£ 51	£ 35
==	==

6. Tangible assets

The freehold land and buildings at 4,7 and 8 Peterborough Villas, London SW6 were acquired in the period ended 30th April 1995 for £13,144 and are subject to twelve leases of ninety nine years each. In the opinion of the directors the value of the freehold property is no less than that shown in the Balance Sheet.

There were no capital commitments or contracted for at the balance sheet date (1995: £NIL).

FORMALDEAL PROPERTY MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1996

7.	<u>Debtors</u>	<u>1996</u>	<u>1995</u>
		<u>£</u>	<u>£</u>
	Service charges in arrears	6,020	24,030
	Other charges in arrears	-	375
	Other debtors	810	-
	Kinleigh Limited - client account	2,985	2,732
	Prepayments and accrued income	<u>779</u>	<u>759</u>
		<u>£10,594</u>	<u>£27,896</u>

8.	<u>Creditors: amounts falling due within one year</u>	<u>1996</u>	<u>1995</u>
		<u>£</u>	<u>£</u>
	Shareholders' loans	12,907	12,907
	Other creditors	1,580	1,580
	Corporation tax	51	24
	Accruals	<u>636</u>	<u>1,905</u>
		<u>£15,174</u>	<u>£16,416</u>

9.	<u>Share capital</u>	<u>Authorised</u>		<u>Allotted, issued and fully paid</u>	
		<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>11</u>	<u>11</u>

10.	<u>Maintenance reserve</u>	<u>£</u>
	Balance at 1st January 1996	30,975
	Contributions due from Lessees	1,200
	Specific maintenance expenditure	<u>(1,354)</u>
	Balance at 31st December 1996	<u>£ 30,821</u>
	Attributable:-	
	to equity shareholders	28,254
	to non shareholder	<u>2,567</u>
		<u>£ 30,821</u>

FORMALDEAL PROPERTY MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1996

11.	<u>Reconciliation in shareholders' funds</u>	£
	Surplus on ordinary activities after taxation	-
	Shareholders' proportion of contributions to maintenance reserve	1,100
	Movement on maintenance reserve attributable to shareholders	(1,240)
	Net addition to shareholders' funds	(140)
	Opening shareholders' funds	<u>28,405</u>
	Closing shareholders' funds	<u>£ 28,265</u>

12. Related party transactions

- a) Included in these accounts is £6,096 of service charges demanded for the year in respect of lessees who were directors at any time during the year.
- b) At the balance sheet date, the amounts outstanding were:

Service charges in arrears	£3,221
Service charges in advance	£488