

552 Kings Road Limited

Financial statements for the period from 4 November 1997
(date of incorporation) to 31 December 1998
together with directors' and auditors' reports

Registered number: 3462654



Directors' report

For the period from 4 November 1997 (date of incorporation) to 31 December 1998

The directors present their report on the affairs of the company together with the accounts and auditors' report for the period from 4 November 1997 (date of incorporation) to 31 December 1998.

Principal activity and review of the business

The company was incorporated on 4 November 1997 to engage in property development.

Results and dividends

The loss for the period, after taxation, was £8,000. The directors do not recommend the payment of a dividend.

Directors and their interests

The directors of the company who served during the period are listed below.

Godfrey Michael Bradman	(appointed 4 November 1997)
Richard Sandor Frischmann	(appointed 24 December 1997)
Jack Leo Jacobs	(appointed 24 December 1997)
Maurice Edmond Pearse	(appointed 24 December 1997)
The Rt. Hon. Lord Young of Graffham	(appointed 24 December 1997)
Alpha Secretarial Limited	(appointed and resigned 4 November 1997)
Alpha Direct Limited	(appointed and resigned 4 November 1997)
William Stephen Benjamin	(appointed 24 December 1997)
Don Balman Blenko	(appointed 24 December 1997)
David Brush	(appointed 11 May 1998)
Roger Gerard Orf	(appointed 24 December 1997)
Emma Louise Simmons	(appointed 30 October 1998)
Shemeel Khan	(appointed 24 December 1997, resigned 30 October 1998)
Richard Stephen Mully	(appointed 24 December 1997, resigned 13 July 1998)
Neil Sinclair	(appointed 22 December 1997, resigned 16 January 1998)

The directors who held office at 31 December 1998 did not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985 other than those described below which comprise interests in the ordinary share capital of European Land & Property Corporation (KC & UMDS) Limited, which holds 66.4% of the issued share capital and 50% of the voting rights of European Land (Four Surplus Sites) Limited, the company's parent company.

	Ordinary Shares of £1 each
Godfrey Michael Bradman	28,078
Richard Frischmann	7,009
Jack Jacobs	7,895
Maurice Edmond Pearse	3,509
The Rt. Hon Lord Young of Graffham	3,509

Directors' report (continued)

Directors' Emoluments

No director received any remuneration for services to the company during the period.

Year 2000

The directors have considered the impact of the Year 2000 issue on the operations of the company. The financial cost of the Year 2000 issue is not expected to be significant to the company during subsequent accounting periods.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

Arthur Andersen were appointed auditors by the directors, and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the Board



Bradman Management Services Limited
Secretary

22 Old Bond Street
London
W1X 3DA

20 July 1999

Auditors' report

London

To the Shareholders of 552 Kings Road Limited

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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.

We draw your attention to note 1, which outlines the consideration given by the directors to the future funding of the company. Our report is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1998 and the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

20 July 1999

Profit and loss account

For the period from 4 November 1997 (date of incorporation) to 31 December 1998

	Notes	Period ended 31 December 1998 £
Turnover		-
Cost of sales		-
		<hr/>
Gross profit		-
Administrative expenses		(8,000)
		<hr/>
Operating loss	2	(8,000)
Interest receivable and similar income		-
Interest payable and similar charges	3	-
		<hr/>
Loss on ordinary activities before taxation		(8,000)
Taxation	4	-
		<hr/>
Loss on ordinary activities after taxation		(8,000)
		<hr/>
Retained loss for the period	10	(8,000)
		<hr/>

There are no recognised gains or losses other than the loss for the financial period.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

At 31 December 1998

	Notes	31 December 1998 £
Current assets		
Properties under development	5	46,382,848
Debtors	6	153,480
Cash at bank and in hand		361,555
		<u>46,897,883</u>
Creditors: Amounts falling due within one year	7	<u>(27,184,548)</u>
Net current assets		19,713,335
Creditors: Amounts falling due after more than one year	8	<u>(19,721,235)</u>
Net liabilities		<u>(7,900)</u>
Capital and reserves		
Called-up share capital	9	100
Profit and loss account	10	<u>(8,000)</u>
Total equity and non equity shareholders' deficit	10	<u>(7,900)</u>

The financial statements on pages 4 to 10 were approved by the Board of Directors on 20 July 1999 and signed on its behalf by:



G.M. Bradman - Director

The accompanying notes are an integral part of this balance sheet.

Notes to the accounts

For the period ended 31 December 1998

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the period, are as follows:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

At the balance sheet date, bank loans (including accrued interest) totalling £21.2 million were repayable within one year. The parent company is currently concluding arrangements with its bankers to secure further funding for the group's development projects. The directors believe that further funding will be secured and accordingly the financial statements have been drawn up on a going concern basis.

b) Properties under development

A property is recognised as an asset on exchange of contracts where materially all the provisions of the contract have been met. Properties under development are stated at the lower of cost and net realisable value. Additions to properties under development include all expenses of development, including interest in relation to development financings.

c) Taxation

Corporation tax payable is provided on taxable profits for the year at the effective rate of corporation tax.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

d) Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period.

e) Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount, except in the case of development financings where interest and related financing costs are capitalised as part of the cost of development.

f) Cash flow statement

In accordance with FRS 1 (Revised) the company has not prepared a cash flow statement as it qualifies as a small company under section 246 of the Companies Act 1985.

Notes to the account (continued)

2 Operating loss

	Period from 4 November 1997 to 31 December 1998 £
Operating loss is stated after charging the following:	
Auditors' remuneration – audit fees	<u>8,000</u>

The company had no employees during the period other than its directors. No director received any remuneration for services to the company during the period.

3 Interest payable and similar charges

	Period from 4 November 1997 to 31 December 1998 £
On bank loans and overdrafts	1,806,164
On loans from parent company	2,879,210
Less: interest on development financings transferred to development properties	<u>(4,685,374)</u>
	<u>-</u>

4 Taxation

There was no charge to corporation tax since the company was loss making in the accounting period.

5 Properties under development

Cost of freehold properties	£
As at 4 November 1997	-
Additions	<u>46,382,848</u>
As at 31 December 1998	<u>46,382,848</u>

6 Debtors

	31 December 1998 £
Trade debtors	3,500
VAT	<u>149,980</u>
	<u>153,480</u>

Notes to the accounts(continued)

7 Creditors: Amounts falling due within one year

	31 December 1998 £
Bank loans and overdrafts	21,192,006
Trade creditors	1,280,025
Amounts payable to parent company	1,308,259
Other creditors	3,000,000
Accruals	404,258
	<u>27,184,548</u>

8 Creditors: Amounts falling due after more than one year

	31 December 1998 £
Loans from parent company	19,721,235
	<u>19,721,235</u>

The amounts at which borrowings are stated comprise:

	Senior loans £	Loans from parent company £
As at 4 November 1997	-	-
Drawdown in period	19,385,842	18,162,284
Accrued finance charges	1,806,164	2,867,210
As at 31 December 1998	<u>21,192,006</u>	<u>21,029,494</u>
Payable within one year	21,192,006	1,308,259
Payable in more than one year	-	19,721,235
	<u>21,192,006</u>	<u>21,029,494</u>

The senior loans attract interest rates of LIBOR plus 2% per annum secured by means of fixed and floating charges over all current and future assets (including rents) of the company.

The loans from parent company attract interest rates between 15% and 25% per annum and are repayable on different repayment dates, depending on certain conditions being met.

Notes to the accounts(continued)

9 Called-up share capital

	31 December 1998 £
Authorised	
<i>Equity</i>	
99 ordinary shares of £1 each	99
<i>Non Equity</i>	
1 KCL share of £1	<u>1</u>
	<u>100</u>
 Allotted, called-up and fully paid	
<i>Equity</i>	
99 ordinary shares of £1 each	99
<i>Non Equity</i>	
1 KCL share of £1	<u>1</u>
	<u>100</u>

The KCL share has no rights to participate in any dividend or other distribution of the profits or assets of the company. The KCL share also has no rights to participate in a return of capital.

The KCL share carries no voting rights except in certain circumstances as specified in the Articles of Association.

10 Reconciliation of movements in shareholders' funds

	Period from 4 November 1997 to 31 December 1998 £
Loss for the financial period	(8,000)
Issue of share capital	<u>100</u>
Net addition to shareholders' funds	(7,900)
Opening shareholders' funds	<u>-</u>
Closing shareholders' deficit	<u>(7,900)</u>

11 Comparative figures

These are the first financial statements of the company and therefore no comparative figures are shown.

Notes to the accounts(continued)

12 Contingent liabilities and financial commitments:

Guarantees

The company has provided a guarantee in respect of all liabilities and obligations of European Land (Four Surplus Sites) Limited, its parent company, under a loan agreement dated 24 December 1997.

Capital commitments

At the end of the period capital commitments contracted but not provided were £nil.

13 Parent company

The company is a subsidiary undertaking of European Land (Four Surplus Sites) Limited, a company incorporated in England and Wales.

The largest and smallest group in which the results of 552 Kings Road Limited are consolidated is that headed by European Land (Four Surplus Sites) Limited. The consolidated accounts of the group are available to the public and may be obtained from 22, Old Bond Street, London W1X 3DA.