

BELGRAVIA PROPERTY COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2000



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BELGRAVIA PROPERTY COMPANY LIMITEDDIRECTORS' REPORT

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

Principal activity

The company's activity is property investment.

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 £168,622 (1999 - £3,058,068) 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:

WJ Dunbar	(resigned 25 May 2000)
WN Hugill	
D Phillips	
PM Williams	

None of the directors had any interest in the share capital of the company during the year.

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
28 August 2001

67 Brook Street
London
W1K 4NJ

BELGRAVIA PROPERTY COMPANY 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 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 company and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF BELGRAVIA PROPERTY COMPANY 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 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

7 September 2001

BELGRAVIA PROPERTY COMPANY LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 31 December 2000

	Notes	2000 £	1999 £
Gross rent receivable		145,493	161,407
Property outgoings		(273,134)	(464,263)
Net property loss		(127,641)	(302,856)
Administrative expenses		(312,335)	(341,795)
Operating loss	1	(439,976)	(644,651)
Profit on disposal of investment properties	2	602,518	4,263,198
Interest receivable	3	6,080	9,599
Profit on ordinary activities before taxation		168,622	3,628,146
Taxation	4	-	(570,078)
Profit for the year	11	168,622	3,058,068

The above results relate entirely to continuing operations.

Details of reserve movements are set out in note 11 to the accounts.

BELGRAVIA PROPERTY COMPANY LIMITEDBALANCE SHEETAt 31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	5	15,012,625	22,218,937
Current assets			
Debtors	6	48,036,536	42,336,171
Cash at bank		383,181	638,382
		<u>48,419,717</u>	<u>42,974,553</u>
Creditors - amounts falling due within one year	7	<u>(1,942,300)</u>	<u>(3,843,275)</u>
Net current assets		<u>46,477,417</u>	<u>39,131,278</u>
Total assets less current liabilities		<u>61,490,042</u>	<u>61,350,215</u>
Creditors - amounts falling due after more than one year	8	-	(28,795)
Provision for liabilities and charges	9	<u>(1,030,000)</u>	<u>(1,030,000)</u>
Net assets		<u>60,460,042</u>	<u>60,291,420</u>
Capital and reserves			
Called up share capital	10	32,000	32,000
Revaluation reserve	11	10,178,811	14,260,497
Profit and loss account	11	50,249,231	45,998,923
Equity shareholders' funds		<u>60,460,042</u>	<u>60,291,420</u>

Approved by the board of directors on 28 August 2001 and signed on its behalf by:

WN Hugill, Director

PM Williams, Director

BELGRAVIA PROPERTY COMPANY LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSESFor the year ended 31 December 2000

	2000 £	1999 £
Profit for the year	168,622	3,058,068
Net surplus on revaluation of investment properties	-	2,726,214
Total recognised gains and losses	<u>168,622</u>	<u>5,784,282</u>

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

Profit on ordinary activities before taxation	168,622	3,628,146
Realisation of property revaluation surplus of previous years	4,081,686	6,102,049
Historical cost profit on ordinary activities before taxation	<u>4,250,308</u>	<u>9,730,195</u>
Historical cost profit on ordinary activities after taxation	<u>4,250,308</u>	<u>9,160,117</u>

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

Total recognised gains and losses, as above	168,622	5,784,282
Opening shareholders' funds	60,291,420	54,507,138
Closing shareholders' funds	<u>60,460,042</u>	<u>60,291,420</u>

BELGRAVIA PROPERTY COMPANY LIMITEDACCOUNTING POLICIESBasis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of tangible fixed assets.

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

Depreciation is calculated to write off the cost of the other tangible fixed assets by equal instalments over their estimated economic lives as follows:

Computer	-	25 per cent
Fixtures and fittings	-	10 per cent

Deferred taxation

Deferred taxation is only provided where a tax charge would be considered to arise if the investment properties were disposed of at their valuation reflected in the financial statements.

Cashflow statement

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

BELGRAVIA PROPERTY COMPANY LIMITEDNOTES TO THE ACCOUNTS

	2000 £	1999 £
1		
<u>OPERATING LOSS</u>		
This is stated after charging:		
Depreciation	6,312	6,313
Auditors' remuneration	8,000	8,000
Hire of plant and equipment	367	8,486
	<u> </u>	<u> </u>
None of the directors received any remuneration from the company during the year (1999 - £nil).		
2		
<u>PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES</u>		
Sale proceeds	8,000,000	15,916,000
Cost of sales - carrying value	(7,200,000)	(11,190,398)
- professional fees	(197,482)	(462,404)
	<u> </u>	<u> </u>
	602,518	4,263,198
	<u> </u>	<u> </u>
3		
<u>INTEREST</u>		
Interest receivable on deposits	6,080	9,599
	<u> </u>	<u> </u>
4		
<u>TAXATION</u>		
Corporation tax at 30% (1999 - 30.25%)	-	740,078
Release of provision for deferred taxation	-	(170,000)
	<u> </u>	<u> </u>
	-	570,078
	<u> </u>	<u> </u>

BELGRAVIA PROPERTY COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)5 TANGIBLE FIXED ASSETS

Cost or valuation	Freehold investment properties £	Long leasehold properties £	Fixtures fittings & equipment £	Total £
At 1 January 2000	8,050,000	14,150,000	25,250	22,225,250
Disposals	(7,200,000)	-	-	(7,200,000)
At 31 December 2000	850,000	14,150,000	25,250	15,025,250
Depreciation				
At 1 January 2000	-	-	6,313	6,313
Charge for the year	-	-	6,312	6,312
At 31 December 2000	-	-	12,625	12,625
Net Book value				
At 31 December 2000	850,000	14,150,000	12,625	15,012,625
At 31 December 1999	8,050,000	14,150,000	18,937	22,218,937

The investment properties were valued independently at 31 December 1999 by Knight Frank, Chartered Surveyors, on the basis of 'open market value' as defined by the Guidance Notes prepared by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The valuation at 31 December 2000 was prepared by the directors on a similar basis.

The historical cost of investment properties shown at valuation is £3,589,197 (1999 - £6,857,924). Due to the particular nature of the properties, the directors do not believe it practicable to analyse the value of freehold investment properties between land and buildings.

6 DEBTORS

	2000 £	1999 £
Trade debtors	34,717	-
Sale proceeds of properties	100,000	1,070,000
Amounts due from holding company	47,847,576	41,021,615
Other debtors	51,281	67,575
Prepayments and accrued income	2,962	176,981
	48,036,536	42,336,171

7 CREDITORS - amounts falling due within one year

Trade creditors	1,410,496	2,031,063
Corporation tax	125	658,078
Taxes and social security	-	408
Other creditors	103,460	61,535
Accruals	364,172	1,001,688
Deferred income	64,047	90,503
	1,942,300	3,843,275

BELGRAVIA PROPERTY COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)8 CREDITORS - amounts falling due after more than one year

	2000 £	1999 £
Deferred income	-	28,795
	<u> </u>	<u> </u>

9 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation:

At 1 January	1,030,000	1,200,000
Released to profit and loss account	-	(170,000)
	<u> </u>	<u> </u>
At 31 December	1,030,000	1,030,000
	<u> </u>	<u> </u>

The deferred taxation is in respect of taxation which might become payable if the investment properties were sold at the net amount at which they are stated in the financial statements.

10 CALLED UP SHARE CAPITAL

Authorised,
allotted and
fully paid
£

Ordinary shares of £1 each	32,000
	<u> </u>

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

11 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2000	14,260,497	45,998,923
Transfer arising on disposal of investment properties	(4,081,686)	4,081,686
Profit for the year	-	168,622
	<u> </u>	<u> </u>
At 31 December 2000	10,178,811	50,249,231
	<u> </u>	<u> </u>

The balance on revaluation reserve represents the excess of the book value of the company's investment properties over historical cost less £31,992 utilised for the purpose of a capitalisation issue of ordinary shares in 1980.

12 HOLDING COMPANY

The immediate and ultimate holding and controlling company is Belgravia Acquisitions Limited, a company registered in England and Wales, a copy of whose consolidated accounts may be obtained from 67 Brook Street, London, W1K 4NJ.