

BELGRAVIA PROPERTY COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1996



BELGRAVIA PROPERTY COMPANY LIMITED

DIRECTORS' REPORT

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

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 £3,048,598 has been transferred to reserves.

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

Directors and directors' interests

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

WJ Dunbar  
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

26 September 1997

67 Brook Street  
London  
W1Y 2NJ

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 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.

*W. J. Audit Plc*  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

LONDON

30/12/1997

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1996

	Notes	1996 £	1995 £
Gross rent receivable		506,872	1,296,279
Property outgoings		(730,470)	(392,255)
<b>Net property (loss)/income</b>		<b>(223,598)</b>	<b>904,024</b>
Administrative expenses		(365,030)	(389,267)
<b>Operating (loss)/profit</b>	1	<b>(588,628)</b>	<b>514,757</b>
Profit on disposal of investment properties	3	3,618,053	2,618,677
Interest receivable	4	19,173	7,056
<b>Profit on ordinary activities before taxation</b>		<b>3,048,598</b>	<b>3,140,490</b>
Taxation	5	-	-
<b>Profit for the year</b>	13	<b>3,048,598</b>	<b>3,140,490</b>

The above results relate entirely to continuing operations.

Details of reserve movements are set out in note 13 to the accounts.

BELGRAVIA PROPERTY COMPANY LIMITEDBALANCE SHEETAt 31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	6	40,736,661	48,220,364
<b>Current assets</b>			
Stocks	7	10,213	9,873
Debtors	8	13,766,550	8,164,753
Cash at bank		824,623	134,140
		<u>14,601,386</u>	<u>8,308,766</u>
Creditors - amounts falling due within one year	9	<u>(3,426,656)</u>	<u>(5,841,337)</u>
<b>Net current assets</b>		<u>11,174,730</u>	<u>2,467,429</u>
<b>Total assets less current liabilities</b>		<u>51,911,391</u>	<u>50,687,793</u>
Creditors - amounts falling due after more than one year	10	(87,500)	(187,500)
Provision for liabilities and charges	11	(3,228,529)	(4,953,529)
		<u>48,595,362</u>	<u>45,546,764</u>
<b>Capital and reserves</b>			
Called up equity share capital	12	32,000	32,000
Revaluation reserve	13	28,155,483	38,940,746
Profit and loss account	13	20,407,879	6,574,018
		<u>48,595,362</u>	<u>45,546,764</u>

Approved by the board of directors on 26 September 1997 and signed on its behalf by:

  
 WN Huggill, Director

  
 PM Williams, Director

BELGRAVIA PROPERTY COMPANY LIMITEDSTATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
For the year ended 31 December 1996

	1996 £	1995 £
Profit for the year	3,048,598	3,140,490
Total recognised gains	<u>3,048,598</u>	<u>3,140,490</u>

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

Profit on ordinary activities before taxation	3,048,598	3,140,490
Realisation of property revaluation surplus of previous years	10,490,800	6,243,000
Historical cost profit on ordinary activities before taxation	<u>13,539,398</u>	<u>9,383,490</u>
Historical cost profit on ordinary activities after taxation	<u>13,539,398</u>	<u>9,383,490</u>

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

Total recognised gains and losses, as above	3,048,598	3,140,490
Opening shareholders' funds	45,546,764	42,406,274
Closing shareholders' funds	<u>48,595,362</u>	<u>45,546,764</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.

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

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
Motor vehicle	-	25 per cent

Stock

Stock of consumables and work in progress is stated at the lower of cost and net realisable value.

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 (Revised) from publishing its own cashflow statement.

BELGRAVIA PROPERTY COMPANY LIMITEDNOTES TO THE ACCOUNTS

	1996 £	1995 £
1 <u>OPERATING (LOSS)/PROFIT</u>		
This is stated after charging:		
Directors' remuneration	-	-
Depreciation	17,510	3,757
Auditors' remuneration	11,500	10,300
Hire of plant and equipment	12,134	5,613
	<u>          </u>	<u>          </u>

2 STAFF COSTS

Staff costs comprise:

Salaries and wages	35,709	286,172
Social security costs	3,641	27,219
Severance pay	-	11,656
	<u>          </u>	<u>          </u>
	39,350	325,047
	<u>          </u>	<u>          </u>

The staff costs for 1996 are net of £261,504 which has been charged to Chesham Place Limited, a subsidiary undertaking.

Average number of employees by activity:

	Number	Number
Services	13	15
Administration	8	9
	<u>          </u>	<u>          </u>
	21	24
	<u>          </u>	<u>          </u>

None of the directors received any remuneration from the company during the year.

3 PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

	1996 £	1995 £
Sale proceeds	17,280,000	10,249,550
Cost of sales - carrying value	(13,197,931)	(7,377,000)
- professional fees	(464,016)	(253,873)
	<u>          </u>	<u>          </u>
	3,618,053	2,618,677
	<u>          </u>	<u>          </u>

4 INTEREST

Interest receivable on deposits	19,173	7,056
	<u>          </u>	<u>          </u>



BELGRAVIA PROPERTY COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)

	1996 £	1995 £
5 <u>TAXATION</u>		
Corporation tax charge at 33%	1,725,000	-
Release of provision for deferred taxation	(1,725,000)	-
	<u>                    </u>	<u>                    </u>
	-	-
	<u>                    </u>	<u>                    </u>

The taxation charge for the year is less than the corporation tax rate of 33 per cent mainly because of the utilisation of losses of the holding company which have been surrendered to the company for nil consideration.

6 TANGIBLE FIXED ASSETS

	Freehold investment properties £	Long Leasehold Properties £	Fixtures Fittings & Equipment £	Total £
At 1 January 1996	10,022,586	38,074,233	127,302	48,224,121
Additions	76,396	5,646,911	28,001	5,751,308
Disposals	(356,174)	(12,841,757)	(21,745)	(13,219,676)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31 December 1996	9,742,808	30,879,387	133,558	40,755,753
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Depreciation				
At 1 January 1996	-	-	3,757	3,757
Charge for the year	-	-	17,510	17,510
Disposals	-	-	(2,175)	(2,175)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31 December 1996	-	-	19,092	19,092
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Book value				
At 31 December 1996	9,742,808	30,879,387	114,466	40,736,661
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31 December 1995	10,022,586	38,074,233	123,545	48,220,364
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

The investment properties were independently valued in November 1994 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 1996 was prepared by the directors on a similar basis.

The historical cost of investment properties shown at valuation is £9,206,191 (1995 - £6,190,015). 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.

BELGRAVIA PROPERTY COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)

7	<u>STOCKS</u>	1996 £	1995 £
	Consumables	10,213	7,908
	Work in progress	-	1,965
		<u>10,213</u>	<u>9,873</u>
8	<u>DEBTORS</u>		
	Trade debtors	29,954	102,400
	Amounts due by holding company	13,723,183	-
	Other debtors	4,827	8,053,301
	Prepayments and accrued income	8,586	9,052
		<u>13,766,550</u>	<u>8,164,753</u>
9	<u>CREDITORS</u> - amounts falling due within one year		
	Loan due to holding company	-	4,757,173
	Amount due to subsidiary undertaking	26,714	-
	Trade creditors	957,326	440,492
	Corporation tax	1,725,000	-
	Taxes and social security	12,029	15,678
	Other creditors	58,953	57,747
	Accruals	492,637	265,019
	Deferred income	153,997	305,228
		<u>3,426,656</u>	<u>5,841,337</u>
10	<u>CREDITORS</u> - amounts falling due after more than one year		
	Deferred income	87,500	187,500
11	<u>PROVISION FOR LIABILITIES AND CHARGES</u>		
	Deferred taxation:		
	At beginning of year	4,953,529	4,953,529
	Released to profit and loss account	(1,725,000)	-
	At end of year	<u>3,228,529</u>	<u>4,953,529</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.

BELGRAVIA PROPERTY COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)12 CALLED UP EQUITY SHARE CAPITAL

	1996 £	1995 £
Authorised, allotted and fully paid		
Ordinary shares of £1 each	32,000	32,000
	<u>          </u>	<u>          </u>

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

13 RESERVES

	Revaluation Reserve	Profit and Loss Account
At 1 January 1996	38,940,746	6,574,018
Transfer arising on disposal of investment properties	(10,490,800)	10,490,800
Transfer arising on the disposal of investment properties in prior years	(2,019,463)	2,019,463
Transfer arising on the release of provision for deferred taxation	1,725,000	(1,725,000)
Profit for the year	-	3,048,598
	<u>          </u>	<u>          </u>
At 31 December 1996	28,155,483	20,407,879
	<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.

14 SUBSIDIARY

During 1995 the company acquired Chesham Place Limited, a company limited by guarantee and having no share capital. Chesham Place Limited owns the freehold interest in 30/37 Chesham Place, London, SW1, the long leasehold interest of which was held entirely by the company. Some of these long leasehold interests were sold during the year and the purchasers have, as a result, become members of Chesham Place Limited which also acts as a management company for the properties. Accordingly, whereas Chesham Place Limited was a wholly owned subsidiary undertaking of the company at 31 December 1995, it was a partly owned subsidiary undertaking at 31 December 1996.

15 ULTIMATE HOLDING COMPANY

The ultimate holding 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, W1Y 2NJ.