

[24.06.98]

BARONS KEEP LIMITED

Co No 2609358

**DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 1997**

Southworth & Co



Directors' Report

The directors have pleasure in submitting their seventh annual report and financial statements for the year to 31 December 1997.

Business Review

The company's principal business is to hold the freehold to the block of flats, Barons Keep, Gliddon Road, London W14. Purchase of the freehold and the head-lease took place on 29 October 1991.

Directors

The directors of the company during the year were as follows:

	Date of appointment	Date of resignation
Trevor A Jones	18 June 1991	17 July 1997
Paul R Rawson	18 June 1991	-
Sheila Glaser	13 August 1991	-
Alex MN Seago	5 June 1992	-
Hector CG Hawkins	3 February 1993	-
Alfred G Russell	8 December 1994.	-
Cherif Cordahi	10 July 1996	-
Janek P Matthews	22 July 1997	-

The directors who held office at the end of the financial year had the following interests in the shares of the company:

	Class	At end of year	At beginning of year or date of appointment
Paul R Rawson	£1 'A' ord	1	1
	5p 'B' ord	14	14
Sheila Glaser	£1 'A' ord	1	1
	5p 'B' ord	14	14
Alex MN Seago	£1 'A' ord	1	1
	5p 'B' ord	14	14
Hector CG Hawkins	£1 'A' ord	1	1
	5p 'B' ord	14	14
Alfred G Russell	£1 'A' ord	1	1
	5p 'B' ord	18	18
Cherif Cordahi	£1 'A' ord	1	1
	5p 'B' ord	14	14
Janek P Matthews	£1 'A' ord	1	1
	5p 'B' ord	14	14

None of the directors received any remuneration during the year.

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Appointment of Directors

The company's directors are elected by shareholders in accordance with the company's constitution. This provides that directors joining the board to fill casual vacancies must be re-appointed by the company's shareholders at the next Annual General Meeting and that a third of directors must retire and be re-elected every three years.

Directors' And Officers' Liability Insurance

The company has maintained insurance to cover Directors' and Officers' liability as defined in s310 (3)(a) of the Companies Act 1985.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of Southworth & Co as auditors of the company will be proposed at the next Annual General Meeting.

By order of the Board



Sheila Glaser
Secretary
24 June 1998

Directors' responsibilities in respect of the preparation of financial statements

The Directors are required by company 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 for the year.

The Directors ensure that, in preparing the financial statements, suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made.

The Directors are also responsible for ensuring that adequate systems of internal control are in operation for maintaining adequate accounting records, for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

Southworth & Co

Chartered Accountants

29 First Avenue
Walton on Thames
Surrey, KT12 2HN

Auditors' Report to the shareholders of Barons Keep Limited

We have audited the financial statements on pages 4 to 9 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 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.

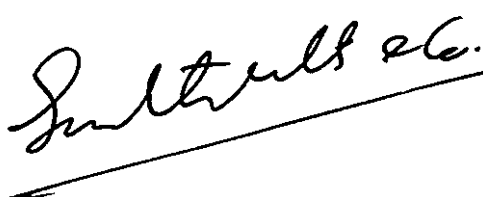
Basis of opinion

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 affairs of the company at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Southworth & Co

Chartered Accountants and
Registered Auditor
24 June 1998

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PROFIT AND LOSS ACCOUNT**FOR THE YEAR TO 31 DECEMBER 1997**

	Notes	1997	1996
Turnover	1	£21,767	£21,224
Administrative expenses		(14,343)	(15,274)
		<hr/>	<hr/>
		7,424	5,950
Other operating income	4	23,421	20,848
Interest receivable and similar income	5	1,490	6,887
		<hr/>	<hr/>
Profit for the year before taxation	2	32,335	33,685
Taxation	6	(1,931)	(3,023)
		<hr/>	<hr/>
Profit for the year after taxation		30,404	30,662
Reserves brought forward		196,010	165,348
		<hr/>	<hr/>
Reserves carried forward		£226,414	£196,010
		=====	=====

There are no recognised gains or losses other than as disclosed above and there have been no discontinued activities or acquisitions in the current or preceding year.

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BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	1997	1996
FIXED TANGIBLE ASSET	7	£297,175	£324,041
CURRENT ASSETS			
Debtors	8	26,582	10,739
Cash at bank and in hand		62,249	102,174
		<u>88,831</u>	<u>112,913</u>
CREDITORS: Amounts falling due within one year	9	(34,788)	(43,320)
		<u>54,043</u>	<u>69,593</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		351,218	393,634
PROVISIONS FOR LIABILITIES AND CHARGES	10	(124,632)	(197,456)
		<u>£226,586</u>	<u>£196,178</u>
		=====	=====
REPRESENTED BY:			
Share capital	11	£172	£168
Profit and Loss account		226,414	196,010
		<u>£226,586</u>	<u>£196,178</u>
	12	=====	=====

These financial statements were approved by the Board of Directors on 24 June 1998 and were signed on its behalf by:


PR Rawson Director


Sheila Glaser Director

NOTES - (FORMING PART OF THE FINANCIAL STATEMENTS)**1. ACCOUNTING POLICIES****a Basis of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Schedule 4 to the Companies Act 1985.

The company has taken advantage of the exemption in Financial Reporting Standard no. 1 from producing a cash flow statement on the grounds that it is a small company.

b Turnover

Turnover represents ground rents of flats and garages receivable from the lessees of Barons Keep.

c Fixed Assets

The freehold consists solely of the freehold of Barons Keep. It is capitalised at the cost of acquisition and attributable costs less the proportionate cost of the leases sold. No depreciation is charged on the freehold since, in the opinion of the directors, it is not a depreciating asset.

Office equipment is capitalised at the cost of acquisition and installation. Depreciation is charged so as to write off the cost in equal instalments over four years.

d Taxation

The charge for taxation is based on the profit for the year, but excluding the surplus on the sale of new flat leases, 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.

The company has agreed with the Inland Revenue a special basis of taxation on the surplus arising on the sale of new flat leases. Taxation will not be payable until the cumulative gross sales proceeds exceed the original total cost of the freehold. Corporation tax will then be payable at current rates on the gross sales proceeds.

2 PROFIT FOR THE YEAR

	1997	1996
Administration expenses include:		
Auditors' remuneration	£750	£725
	=====	=====

3 STAFF COSTS

The company had no employees during the year.

No remuneration was drawn by any of the directors during the year.

4 OTHER OPERATING INCOME

This represents the surplus arising on the sale of two new flat leases (1996 - two new flat leases and one new garage lease).

	1997	1996
Received from sale of flat leases	£50,000	£50,300
Attributable cost of leases sold	(26,579)	(29,452)
Surplus	<u>£23,421</u>	<u>£20,848</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	1997	1996
Deposit interest	<u>£1,490</u>	<u>£6,887</u>

6 TAXATION

	1997	1996
UK corporation tax at 21.75% (1996 - 24.25%) on the profit for the year	£2,000	£3,200
Prior year adjustment	(69)	(177)
	<u>£1,931</u>	<u>£3,023</u>

7 FIXED TANGIBLE ASSETS

	Freehold at Cost	Office Equipment	Total
Cost			
At 1 January 1997	£323,182	£1,149	£324,331
Part-disposal in year	(26,576)	-	(26,576)
At 31 December 1997	<u>£296,606</u>	<u>£1,149</u>	<u>£297,755</u>
Depreciation			
At 1 January 1997	-	£290	£290
Charge for year	-	£290	£290
At 31 December 1997	<u>-</u>	<u>£580</u>	<u>£580</u>
Net book value			
At 31 December 1997	<u>£296,606</u>	<u>£569</u>	<u>£297,175</u>
At 31 December 1996	<u>£323,182</u>	<u>£859</u>	<u>£324,041</u>

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8 DEBTORS

	1997	1996
All due within one year:		
Barons Keep Service Charge Account	£19,645	£4,420
Rents receivable	5,501	4,688
Prepayments	1,436	1,631
	<u>£26,582</u>	<u>£10,739</u>
	=====	=====

9 CREDITORS: Amounts falling due within one year

	1997	1996
Sundry creditors	£32,788	£40,120
Corporation tax	2,000	3,200
	<u>£34,788</u>	<u>£43,320</u>
	=====	=====

10 PROVISIONS FOR LIABILITIES AND CHARGES

	1997	1996
Moneys received and held in trust against future refurbishments		
At 1 January 1997	£197,456	£419,314
Contribution on sale of new leases	3,055	9,887
Refurbishment expenditure incurred in the year	(75,879)	(231,745)
	<u>£124,632</u>	<u>£197,456</u>
	=====	=====
At 31 December 1997		

11 SHARE CAPITAL

At 31 December 1997

	Number	Value
Authorised		
'A' ordinary shares of £1 each	117	£117
'B' ordinary shares of 5p each	2,000	£100
	=====	=====
Allotted and fully paid		
'A' ordinary shares of £1 each	93	£93
'B' ordinary shares of 5p each	1,578	£79
	=====	=====
		£172
		=====

During the year to 31 December 1997, two 'A' ordinary share and thirty-seven 'B' ordinary shares were issued on the sale of two new leases. There were no other movements in the share capital of the company during the year.

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	1996
Profit for the year after taxation	£30,404	£30,662
Shareholders' funds at 1 January 1996	196,178	165,512
Increase in share capital during the year	4	4
	-----	-----
Shareholders' funds at 31 December 1997	£226,586	£196,178
	=====	=====

13 COMMITMENTS

Capital commitments at 31 December 1997, for which no provision has been made in these accounts were as follows:

	1997	1996
Contracted	Nil	Nil
Authorised but not contracted	£165,000	£240,000
	=====	=====