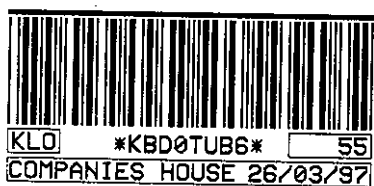


MARTIN'S PROPERTIES (CHELSEA) LIMITED

REPORT AND ACCOUNTS

31ST MAY 1996



PRIDIE BREWSTER  
CHARTERED ACCOUNTANTS  
CAROLYN HOUSE  
29/31 GREVILLE STREET  
LONDON EC1N 8RB

MARTIN'S PROPERTIES (CHELSEA) LIMITED

DIRECTORS:

P.A.G. Martin  
P.G. Martin  
L.P. Burbridge  
T.H. Martin

SECRETARY:

A.M. Burbridge

REGISTERED OFFICE:

36, Walpole Street  
London  
SW3 4QS

AUDITORS:

Pridie Brewster  
Chartered Accountants  
Carolyn House  
29-31, Greville Street  
London  
EC1N 8RB

COMPANY NUMBER:

533856

MARTIN'S PROPERTIES (CHELSEA) LIMITED

DIRECTORS' REPORT

The directors present their report and audited accounts for the year ended 31st May 1996.

**ACTIVITIES**

The principal activities of the company are property management, development and maintenance.

**DIRECTORS**

The directors who served during the year, and their interests in the ordinary shares of the company, were as follows:-

	<u>31.5.1996</u>	<u>31.5.1995</u>
	Ordinary shares of £1	
P.A.G. Martin	1	1
P.G. Martin		
Beneficial holding	415	665
Holding as trustee of the G.H. Martin & K.H. Martin Family Settlements	834	1,334
L.P. Burbridge		
Beneficial holding	-	-
Holding as trustee of the G.H. Martin & K.H. Martin Family Settlements	834	1,334
T.H. Martin		
Interest as beneficiary in respect of share of income from the G.H. Martin & K.H. Martin Family Settlements	278	445

**DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare, for each financial year, financial statements 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;
- prepare the financial statements 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.

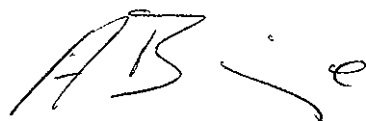
**AUDITORS**

The auditors, Pridie Brewster, Chartered Accountants, continue in office, since an elective resolution to dispense with annual re-appointment is in force.

Advantage has been taken, in the preparation of the above report, of special exemptions applicable to small companies, conferred by Part II of Schedule 8 to the Companies Act 1985.

**BY ORDER OF THE BOARD**

A.M. BURBRIDGE  
SECRETARY



21st March 1997

MARTIN'S PROPERTIES (CHELSEA) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF  
MARTIN'S PROPERTIES (CHELSEA) LIMITED

We have audited the financial statements on pages 3 to 8, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described in the directors' report, the company's directors are responsible for the preparation of the 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.

**Qualified opinion arising from disagreement about accounting treatment**

No valuation of investment properties has been carried out and the requirements of SSAP 19 have therefore not been adhered to; we are unable to quantify the financial effect of this departure.

**Opinion**

Except for the failure to comply with the requirements of SSAP 19, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st May 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



PRIDIE BREWSTER  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITORS

Carolyn House  
29-31, Greville Street  
London EC1N 8RB.

25th March 1997

MARTIN'S PROPERTIES (CHELSEA) LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MAY 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
TURNOVER	1	7,961,746	376,480
Cost of sales		6,090,915	175,013
GROSS PROFIT		1,870,831	201,467
Administrative expenses		346,090	302,460
		1,524,741	(100,993)
Profit on disposal of fixed assets	-		2,030
Income from other fixed asset investments		309,485	310,395
		309,485	312,425
Profit on ordinary activities before interest		1,834,226	211,432
Interest receivable and similar income		38,390	7,561
Interest payable and similar charges		(77,410)	(73,020)
Profit on ordinary activities before tax	9	1,795,206	145,973
Tax on profit on ordinary activities		588,683	54,905
PROFIT FOR THE FINANCIAL YEAR		1,206,523	91,068
Retained profits at beginning of year		2,071,704	1,980,636
Redemption of share capital		(3,000,000)	-
RETAINED PROFITS AT END OF YEAR		278,227	2,071,704

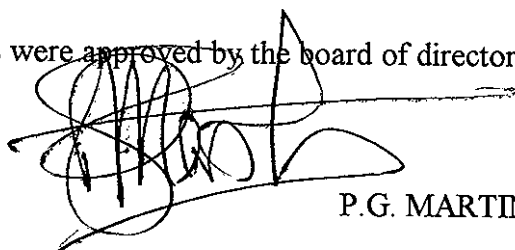
The company had no recognised gains or losses in the year or the previous year other than as shown above.

MARTIN'S PROPERTIES (CHELSEA) LIMITEDBALANCE SHEET AS AT 31ST MAY 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	2	5,452,390	2,601,642
<b>CURRENT ASSETS</b>			
Stocks	3	2,513,899	4,707,240
Debtors	4	1,183,403	1,040,270
Cash at bank and in hand		1,318,563	318,472
		<u>5,015,865</u>	<u>6,065,982</u>
<b>CREDITORS (amounts falling due within one year)</b>	5	<u>3,195,732</u>	<u>1,831,419</u>
Net current assets		1,820,133	4,234,563
Total assets less current liabilities		<u>7,272,523</u>	<u>6,836,205</u>
<b>CREDITORS (amounts falling due after more than one year)</b>	6	6,921,301	4,508,190
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	7	<u>61,397</u>	<u>244,713</u>
		<u>6,982,698</u>	<u>4,752,903</u>
		<u>289,825</u>	<u>2,083,302</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1,250	2,000
Capital redemption reserve		750	-
Capital reserve		9,598	9,598
Profit and loss account		278,227	2,071,704
		<u>289,825</u>	<u>2,083,302</u>

Advantage has been taken, in the preparation of the accounts, of special exemptions applicable to small companies, conferred by Part I of Schedule 8 to the Companies Act 1985; in the directors' opinion the company is entitled to those exemptions on the grounds that it qualifies as a small company under section 247 of that Act.

The accounts were approved by the board of directors on 21st March 1997 and were signed on its behalf by:



P.G. MARTIN (DIRECTOR)

MARTIN'S PROPERTIES (CHELSEA) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1996

1. ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the company's accounts are as follows:-

Accounting convention

The accounts have been prepared under the historical cost convention.

Turnover

Turnover consists of total sales in the year, net of returns, trade discounts and value added tax.

Depreciation

Depreciation has been provided at the following rates, in order to write off the assets over their estimated useful lives:-

Motor vehicles	-	25% straight line
Fixtures & fittings	-	20% straight line
Leasehold properties	-	These relate to long and short leasehold properties. The costs are being amortised on a straight line basis so as to write off the expenditure thereon over the length of the leases.

Investment properties

No valuation has been carried out as required by SSAP 19. In the opinion of the directors the expense of a valuation is not justified in the present uncertain market.

Deferred taxation

Deferred taxation is provided at the anticipated tax rate on all timing differences to the extent that it is probable that a liability or asset will crystallise in the future.

Pensions

The costs of pensions in respect of the company's defined benefit scheme are charged to the profit and loss account so that they are spread over the working lives of the current employees at each actuarial valuation date.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement since it qualifies as a small company under section 247 of the Companies Act 1985.

MARTIN'S PROPERTIES (CHELSEA) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1996

2. TANGIBLE ASSETS

	<u>Land &amp; buildings</u> £	<u>Plant &amp; machinery etc</u> £	<u>Total</u> £
Cost			
At beginning of year	2,706,861	58,630	2,765,491
Additions	2,885,697	14,310	2,900,007
Transfer of assets	(85,693)	85,693	-
At end of year	5,506,865	158,633	5,665,498
Depreciation			
At beginning of year	119,880	43,969	163,849
Charge for year	11,575	37,684	49,259
At end of year	131,455	81,653	213,108
NET BOOK VALUE			
At 31.5.96	5,375,410	76,980	5,452,390
At 31.5.95	2,586,981	14,661	2,601,642

3. STOCKS

	<u>1996</u> £	<u>1995</u> £
Work in progress:-		
Property development project and property held for resale	2,513,899	4,707,240

4. DEBTORS

	<u>1996</u> £	<u>1995</u> £
Other debtors	368,828	225,695
Prepayments and accrued income	814,575	814,575
	1,183,403	1,040,270

5. CREDITORS (amounts falling due within one year)

	<u>1996</u> £	<u>1995</u> £
Bank loans and overdrafts	332,098	-
Other creditors	1,864,509	5,671,322
Accruals and deferred income	999,125	48,377
	3,195,732	5,719,699
Other creditors above include taxation and social security of	1,042,813	146,988

A leasehold property of the company has been charged to secure a creditor in the sum of £492,643.



MARTIN'S PROPERTIES (CHELSEA) LIMITED

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST MAY 1996

6.	CREDITORS (amounts falling due after more than one year)	<u>1996</u> £	<u>1995</u> £
	Other creditors	6,921,301	4,508,190
7.	PROVISIONS FOR LIABILITIES AND CHARGES	<u>1996</u> £	<u>1995</u> £
	Deferred taxation provided: This represents tax deferred at 33% on the following items:		
	Interest receivable	268,810	268,810
	Interest payable	-	(24,097)
		<u>268,810</u>	<u>244,713</u>
	Less Advance corporation tax recoverable	207,413	-
		<u>61,397</u>	<u>244,713</u>
	Not provided: Accelerated capital allowances	<u>10,740</u>	<u>1,916</u>
8.	SHARE CAPITAL	<u>Authorised, issued and fully paid</u> <u>1996</u>	<u>1995</u>
	Ordinary shares of £1 each	1,250	2,000
9.	PROFIT ON ORDINARY ACTIVITIES	<u>1996</u> £	<u>1995</u> £
	This is stated after charging:		
	Directors' emoluments	165,300	165,300
	Depreciation	49,259	22,115
	Auditors' remuneration	7,000	7,000
	Loan interest on borrowings repayable within 5 years	77,410	73,020
10.	PENSION SCHEME		
	The company operates an externally funded defined benefit pension scheme, based upon a certain percentage of final remuneration. The most recent actuarial valuation by William M. Mercer Limited took place as at 31st May, 1994 using the aggregate method. The main assumptions used for the valuation were as follows:		
	Investment returns	9.0%	
	Salary/earnings inflation	6.0%	
	Pension increases	5.5%	

The total market value of the assets was £3,092,000 and the level of funding was 149%. The trustees have decided that no further contributions are required from the company at present, the fund being in surplus.

MARTIN'S PROPERTIES (CHELSEA) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1996

11. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>1995</u>
	£	£
Opening shareholders' funds	2,083,302	1,992,234
Profit for the year	1,206,523	91,068
Redemption of shares	(3,000,000)	-
Closing shareholders' funds	<u>289,825</u>	<u>2,083,302</u>

12. TRANSACTIONS WITH DIRECTORS

The following transactions, in which directors had an interest, subsisted during the year.

	<u>31.5.96</u>	<u>31.5.95</u>	<u>Maximum in</u> <u>year</u>
<u>Debtors</u>			
Loans to trusts of which P.G. Martin and L.P. Burbridge are trustees	94,695	1,422	94,695
Loan to a trust of which P.G. Martin is a trustee	-	202,076	-
Accrued interest due on a previous loan to a company in which P.G. Martin has an interest	814,575	814,575	814,575
<u>Creditors</u>			
Loan from a trust of which P.G. Martin is a trustee.	153,005	-	153,005
Loans from trusts of which P.G. Martin and L.P. Burbridge are trustees	1,474	-	1,474
Loan from a company in which P.G. Martin has an interest	35,125	-	35,125
Loan from a pension scheme in which P.G. Martin and L.P. Burbridge have an interest	492,643	404,879	1,264,879
Loan from a company in which P.G. Martin has an interest.	6,201,498	3,888,280	6,236,946
<u>Profit &amp; loss account</u>			
Interest payable in year to pension scheme in which P.G. Martin and L.P. Burbridge have an interest	76,394	73,020	