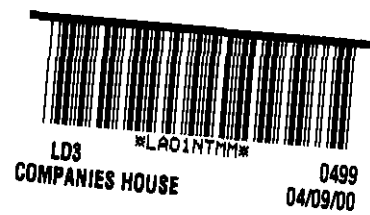


**Second Charles Investments Limited**

**Directors' report and financial  
statements**

**Registered number 1294889**

**Year End Date 31 December 1999**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### Principal activity

The principal activity of the company is property investment but it has been inactive during the year.

### Directors and directors' interests

The directors who held office during the year, and who are still in office, are:

Mr BSE Freshwater  
Mr D Davis

The Articles of Association of the company do not require the directors to retire by rotation.

Neither director has a service contract or receives any emoluments from the company.

The whole of the issued share capital of the company is owned by Avenue Properties (St. John's Wood) Limited. At 31 December 1999 neither of the directors had any interest in the share capital of the company, the company's parent undertaking or any subsidiary of the company's parent undertaking.

The ultimate parent undertaking is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.

### Year 2000

There has been no disruption to the Group's operations during or since the turn of the Millennium, as a result of the Group's systems not being Year 2000 compliant. No disruption is expected and the directors continue to monitor the position.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of Cohen, Arnold & Co. and KPMG as joint auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



CC Morse  
Secretary

Freshwater House  
158/162 Shaftesbury Avenue  
London WC2H 8HR

17 May 2000

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year 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 financial statements;
- 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 ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

## **Report of the joint auditors, Cohen, Arnold & Co. and KPMG, to the members of Second Charles Investments Limited**

We have audited the financial statements on pages 4 to 6.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 2, 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 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 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Cohen, Arnold & Co**  
*Chartered Accountants*  
*Registered Auditor*  
*London*



**KPMG**  
*Chartered Accountants*  
*Registered Auditors*  
*London*

17 May 2000

## Balance sheet

at 31 December 1999

	Note	1999 £	1998 £
<b>Creditors: amounts falling due within one year</b>	4	(36,827)	(36,827)
<b>Net liabilities</b>		<u>(36,827)</u>	<u>(36,827)</u>
<b>Capital and reserves</b>			
Equity share capital		7	7
Non-equity share capital		90	90
Called up share capital	5	97	97
Profit and loss account		(2,160)	(2,160)
Other reserves - capital reserve		(34,764)	(34,764)
		<u>(36,827)</u>	<u>(36,827)</u>

Other than the non-equity share capital of £90, shareholders' funds relate exclusively to equity shareholders' interests.

These financial statements were approved by the board of directors on 17 May 2000 and were signed on its behalf by:

  
**BSE Freshwater**  
 Director

   
**D Davis**  
 Director

The notes on pages 5 and 6 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The financial statements show a deficiency of net assets at the balance sheet date and in the absence of any trading activity it is likely that this position will remain unchanged. Whilst the financial statements have been prepared on the going concern basis, the directors consider that no material adjustments would be required if this basis were inappropriate.

#### *Cash flow statement*

The company is exempt from the requirement to prepare a cash flow statement (in accordance with Financial Reporting Standard No.1) on the grounds that it is a wholly-owned subsidiary undertaking of an intermediate holding company registered in England and Wales which prepares consolidated accounts that include a consolidated cash flow statement.

### 2 Profit and loss account

During the year and the preceding year, the company did not trade and incurred no income or expenditure. Consequently, during those years the company made neither a profit nor a loss and therefore a profit and loss account has not been prepared.

### 3 Remuneration of directors

The directors did not receive any emoluments from the company during the year or in the previous year.

Apart from the directors there were no other employees of the company during the year or in the previous year.

### 4 Creditors: amounts falling due within one year

	1999	1998
	£	£
Amount due to fellow subsidiary undertaking	36,827	36,827

**Notes (continued)**

**5 Called up share capital**

	1999 £	1998 £
<i>Authorised</i>		
<i>Equity share capital</i>		
10 ordinary shares of £1 each	10	10
<i>Non-equity share capital</i>		
90 10% non-cumulative preference shares of £1 each	90	90
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
<i>Equity share capital</i>		
7 Ordinary shares of £1 each	7	7
<i>Non-equity share capital</i>		
90 10% non-cumulative preference shares of £1 each	90	90
	<hr/>	<hr/>
	97	97
	<hr/>	<hr/>

The non-cumulative preference shares confer the right on the holders to receive a non-cumulative dividend each year at the rate of 10% (1998: 8% net + tax credit) on the amounts paid up. These shares would rank above the ordinary shares in the event of a winding up and be redeemable at par. There were insufficient reserves to pay a dividend.

**6 Ultimate parent undertaking**

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up is Centremanor Limited, a company registered in England and Wales.

Copies of these financial statements can be obtained from the following address: Freshwater House, 158/162 Shaftesbury Avenue, London WC2H 8HR.

The ultimate parent undertaking is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.