

**REGISTRAR OF
COMPANIES****Rivermead Court Limited**

Report and Financial Statements

Year Ended

31 December 1998

**IBDO**BDO Stoy Hayward
Chartered Accountants

RIVERMEAD COURT LIMITED

Annual report and financial statements for the year ended 31 December 1998

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Directors

Louis Joshua Manson (Chairman)
Eileen Grace Donald
Suzanne Jean Henderson
Sir John Henry Lambert, KCVO, CMG
Louis Moran
Denis Basil O'Neill
Richard Frank Coleman Pollitzer
Gordon James Howe
Susan Jane Fox

Secretary and registered office

Morgan Cossec Limited, 82 St. John Street, London, EC1M 4JN.

Company number

1432634

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

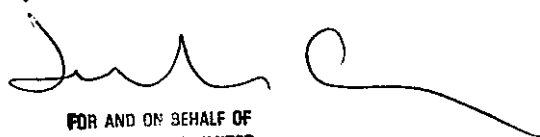
RIVERMEAD COURT LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the twentieth annual general meeting of Rivermead Court Limited will be held at 7pm on Monday, 28 June 1999 in the Quadrangle of The Hurlingham Club, Ranelagh Gardens, London, for the following purposes:

- 1 To receive and consider the statement of accounts of the company for the year ended 31 December 1998 and the reports of the directors and the auditors thereon.
- 2
 - (a) To reappoint Sir John Henry Lambert as a director of the company.
 - (b) To reappoint Suzanne Jean Henderson as a director of the company.
 - (c) To reappoint Gordon James Howe as a director of the company.
 - (d) To reappoint Susan Jane Fox as a director of the company.
- 3 To reappoint BDO Stoy Hayward as auditors and to authorise the directors to agree their remuneration.
- 4 To transact any other ordinary business of the company.

12 May 1999


FOR AND ON BEHALF OF
MORGAN COSEC LIMITED

Registered Office
82 St. John Street
London EC1M 4JN

Morgan Cosec Limited
Secretary

PROXIES

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy (who need not be a member) to attend and vote in his place. Blank forms of proxy may be obtained upon request, from Morgan Cosec Limited, 82 St. John Street, London, EC1M 4JN, and, when completed must be left at the Porters' Lodge, Rivermead Court, by 7 pm on Friday, 25 June 1999.

JOINT HOLDERS

All joint holders of a share may attend the meeting but under article 70 of the articles of association of the company only the first named of them on the register of members kept by the company is entitled to vote, (whether in person or by proxy). However, if the first named does not vote, the second may do so and so on. This notice is addressed to the first named of them.

RIVERMEAD COURT LIMITED

Chairman's statement

I would like to thank you all for your patience and forbearance over the eighteen months it has taken to replace the twenty lifts in Rivermead Court. It has been a difficult time for residents but the upside is that refurbishment happens only once every twenty five to thirty years. I would especially like to thank Denis O'Neill, whose engineering expertise and dedication to the project has been invaluable in bringing it to a conclusion with a minimum of upheaval and cost. Even though consultants were employed to oversee the works, Denis's presence on site throughout, his knowledge of Rivermead Court and his understanding of the technicalities involved contributed enormously to the solution of the many problems that arose.

Results for the year

Total expenditure in 1998 amounted to £1,239,807, of which £574,207 was spent on the lifts and £69,177 on other major building works. Of the total expenditure £633,766 is recoverable by way of the service charge, less an amount of £3,231 relating to VAT, and £184,429 was received from interest, rents and investment income, leaving the loss of £424,843 to be met from reserves.

Prospects

A similar loss to that made in 1998 is expected in 1999, when the balance of the cost of the lift work has to be met. After that expenditure will reduce to more normal levels. As the company now owns only two flats, neither of which is expected to be vacated for some years, our medium term objective is to be able to meet our total expenditure from a combination of the service charge and receipts from rents, bank interest and investment income. On the projections the board has made, if the yearly increase in the contribution to reserves included in the service charge continues to be limited to the present rate of increase, withdrawals from reserves will be needed from time to time over the 5 years 1999 to 2003. Subject to any major unforeseen events it is the intention of the board to continue its present policy, which should result in reserves of around £1 million at the end of that period.

Major works

By the date on which the annual general meeting is held work should have begun on upgrading the entrance halls and repainting the light wells and fire escapes. The pattern for the ground floor carpets was taken from a carpet in Audley End. One of our residents, David Afia, who earlier had re-carpeted part of Buckingham Palace, has been most helpful by producing designs and samples and directing us to the right manufacturer for which we are most grateful. Louis Moran was closely involved in determining the colour scheme, negotiating with the manufacturer and the carpet layers and supervising the laying. Our thanks go to Louis also.

The board hope residents are happy with the new carpet and additional lighting on the ground floors. Regrettably we are not able to extend the new carpet to other floors. The cost would be prohibitive and the quality unnecessary, as the wear on the ground floors is at least eight times that on higher floors.

Staff

In June 1998 Jack Tofield was appointed house manager. Since his appointment there has been a steady improvement in the activities under his control. The quality of the staff has been upgraded, the parking situation has been sorted out and we have been able to dispense with the services of an outside supervisor in the boiler room. The cleanliness of the entrance halls was poor while the lift works were in progress, but as these works finished the cleaning improved and will be kept to a high standard once the new carpet is laid. Most importantly the atmosphere amongst the staff and their commitment to Rivermead Court has improved considerably.

RIVERMEAD COURT LIMITED

Chairman's statement (*Continued*)

Grounds and gardens

Replacement of the broken and uneven pathways, improvement of parking facilities and the repair and re-surfacing of the roadway between the garages has taken place. In addition extra security precautions have been installed mainly in the South West corner adjoining Hurlingham Court where regrettably, a burglary took place.

In spite of the poor weather and the gardener leaving without notice, the gardens, troughs and jardinières have been as beautiful as ever.

The Board

It was a sad year for the board. Peter Gimson, our Vice Chairman and longest serving director died, as did Kim Howe who had left the board a few months earlier. Peter was on the board for seventeen years, during which time he undertook the functions of a finance director, taking responsibility for our accounts, cash flow and investments with great skill, commitment and courtesy. Many years ago Peter and Kim shared a flat at Rivermead Court and their banter amused us greatly - "Gentlemen behaving well".

At the end of the year we welcomed to the board Gordon Howe, who has had many years experience of business and accountancy, having been a partner in one of the "big six" accountancy firms. Gordon has taken on the role formerly carried out by Peter Gimson and was closely involved in the preparation of these accounts.

We welcome also Jane Fox, who had a number of administrative posts in the Houses of Parliament, currently working with the Treasury Select Committee. Jane's father, Lt Col. Martin Fox, gave admirable service to the board from 1981 until 1987, and I am confident that Jane will make a similar contribution.

To those directors whom I have not mentioned by name, I extend my thanks for their unsung, but nevertheless equally appreciated efforts in maintaining and improving Rivermead Court. Also to David Murray and the staff at Wood Managements Limited and to Jack Tofield and our own staff.



L Manson

12 May 1999

RIVERMEAD COURT LIMITED

Report of the directors for the year ended 31 December 1998

The directors present their annual report together with audited financial statements for the year ended 31 December 1998.

Principal activity, review of business and future developments

The company purchased the freehold of Rivermead Court from the Prudential Assurance Company Limited with a view to granting long leases of the flats therein to those sitting tenants who wished to acquire them. Long leases of certain flats which were vacant at that time or subsequently became vacant have been sold in the open market. Two flats continued to be let during the year at rack rents, to sitting tenants who did not elect to acquire long leases.

Results

The profit and loss account is set out on page 6 and shows the company's loss for the year.

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

| | Ordinary shares of £1 each | |
|---|-----------------------------------|------------------|
| | 31 December 1998 | 31 December 1997 |
| | (or date of appointment if later) | |
| Louis Joshua Manson | 1 | 1 |
| Peter Harvey Gimson (resigned 10 November 1998) | 1 | 1 |
| Eileen Grace Donald | 1 | 1 |
| Suzanne Jean Henderson | 1 | 1 |
| Kim Guy Felix Britton Howe, OBE, JP (resigned 27 July 1998) | 1 | 1 |
| Sir John Henry Lambert, KCVO, CMG | 1 | 1 |
| Louis Moran | 1 | 1 |
| Denis Basil O'Neill | 1 | 1 |
| Richard Frank Coleman Pollitzer | 1 | 1 |
| Gordon James Howe (appointed 27 July 1998) | 1 | - |
| Susan Jane Fox (appointed 10 November 1998) | | |

Sir John Henry Lambert, Suzanne Jean Henderson, Gordon James Howe and Susan Jane Fox retire as directors in accordance with the company's articles of association. Resolutions will be proposed at the annual general meeting for their reappointment.

RIVERMEAD COURT LIMITED

Report of the directors for the year ended 31 December 1998 (*Continued*)

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; and
- 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 to 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

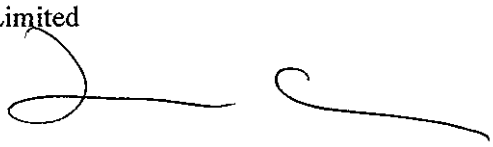
BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

FOR AND ON BEHALF OF
MORGAN COSEC LIMITED

Morgan Cosec Limited

Secretary



12 May 1999

RIVERMEAD COURT LIMITED

Report of the auditors

To the shareholders of Rivermead Court Limited

We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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.

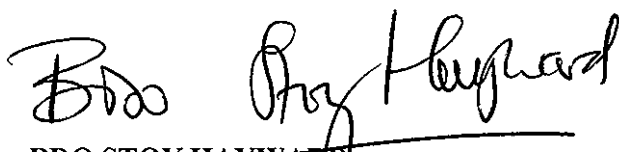
Basis of opinion

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.

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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors
London*

12 May 1999

RIVERMEAD COURT LIMITED**Profit and loss account for the year ended 31 December 1998**

| | Note | 1998 £ | 1997 £ |
|---|------|-------------|-------------|
| Turnover | 1 | - | - |
| Cost of sales | | - | - |
| | | <hr/> | <hr/> |
| Gross profit | | - | - |
| Other operating income | | 682,538 | 680,211 |
| | | <hr/> | <hr/> |
| | | 682,538 | 680,211 |
| Administrative costs | | 1,239,807 | 949,107 |
| | | <hr/> | <hr/> |
| | | (557,269) | (268,896) |
| Interest receivable and similar income | | 132,426 | 108,733 |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | 3 | (424,843) | (160,163) |
| Taxation on loss on ordinary activities | 4 | 20,868 | 19,558 |
| | | <hr/> | <hr/> |
| Loss on ordinary activities after taxation | | (445,711) | (179,721) |
| | | <hr/> | <hr/> |
| Loss for the year | 10 | (445,711) | (179,721) |
| | | <hr/> <hr/> | <hr/> <hr/> |

All amounts relate to continuing activities

All gains and losses recognised in the year are included in the profit and loss account

The notes on pages 8 to 12 form part of these financial statements

RIVERMEAD COURT LIMITED**Balance sheet at 31 December 1998**

| | Note | 1998 £ | 1997 £ |
|---|------|-----------|-----------|
| Current assets | | | |
| Property | 5 | 192,359 | 192,359 |
| Investments | 6 | 1,022,261 | 1,082,397 |
| Debtors | 7 | 351,185 | 256,293 |
| Cash at bank and in hand | | 437,319 | 926,223 |
| | | <hr/> | <hr/> |
| | | 2,003,124 | 2,457,272 |
| Creditors: amounts falling due within one year | 8 | 454,147 | 462,584 |
| | | <hr/> | <hr/> |
| | | 1,548,977 | 1,994,688 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 9 | 207 | 207 |
| Profit and loss account | 10 | 1,548,770 | 1,994,481 |
| | | <hr/> | <hr/> |
| Shareholders' funds - equity | | 1,548,977 | 1,994,688 |
| | | <hr/> | <hr/> |

The financial statements were approved by the Board on 12 May 1999



L J Manson
Director

The notes on pages 8 to 12 form part of these financial statements

RIVERMEAD COURT LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents the gross proceeds from the sale of leasehold and freehold properties.

Property

Property is shown in the financial statements at the lower of cost and net realisable value.

Investments

Investments are shown in the financial statements at the lower of cost and net realisable value.

2 Employees

| | 1998 £ | 1997 £ |
|-------------------------|-----------|-----------|
| Staff costs consist of: | | |
| Wages and salaries | 201,998 | 179,103 |
| Social security costs | 14,000 | 12,018 |
| | <hr/> | <hr/> |
| | 215,998 | 191,121 |
| | <hr/> | <hr/> |

The average weekly number of full-time employees during the year was 15 (1997 - 14).

RIVERMEAD COURT LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

3 (Loss)/profit on ordinary activities before taxation

| | 1998 | | 1997 | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| This is arrived at after charging: | | | | |
| Auditors' remuneration | | | | |
| - audit services | 18,938 | | 21,130 | |
| - non-audit services | 3,998 | | 5,014 | |
| | <u> </u> | | <u> </u> | |
| | | 22,936 | | 26,144 |
| | | <u> </u> | | <u> </u> |
| and after crediting: | | | | |
| Rents receivable | | 52,003 | | 48,552 |
| Income from investments | | | | |
| - listed | 22,190 | | 29,944 | |
| - unlisted | 37,117 | | 27,474 | |
| | <u> </u> | | <u> </u> | |
| | | 59,307 | | 57,418 |
| | | <u> </u> | | <u> </u> |

No director received any remuneration during the year.

4 Taxation on loss on ordinary activities

| | 1998 | 1997 |
|--|-------------------|-------------------|
| | £ | £ |
| U.K. Corporation tax | 16,975 | 14,470 |
| Under provision in respect of previous years | 152 | - |
| Tax credit on UK dividends received | 3,741 | 5,088 |
| | <u> </u> | <u> </u> |
| | 20,868 | 19,558 |
| | <u> </u> | <u> </u> |

5 Property

Cost

| | |
|--|-------------------|
| At 1 January 1998 and 31 December 1998 | 192,359 |
| | <u> </u> |

RIVERMEAD COURT LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

6 Investments

All investments are stated at the lower of cost and net realisable value. The market value at 31 December 1998 was £1,827,692 (1997 - £1,732,976).

The investments held at 31 December were as follows:-

| | | 1998 £ | 1997 £ |
|---|---|-------------|-------------|
| Listed on UK stock exchange | | | |
| £ 60,000 | 2.5% Index-linked Treasury Stock 2001 | 97,476 | 97,476 |
| £ 50,000 | 8% Treasury Stock 2002/06 | 49,032 | 49,032 |
| £100,000 | 8% Treasury Stock 2003 | 97,301 | 97,301 |
| 37,900 | Finsbury Growth Trust ordinary shares of 25p each | 50,165 | 50,165 |
| 17,500 | Electric and General Investment Company ordinary shares of 5p each | 39,898 | 39,898 |
| 14,500 | Anglo and Overseas Trust | 75,169 | 75,169 |
| 9,500 | Foreign & Colonial Pacific Investment Trust | - | 10,854 |
| | | <hr/> | <hr/> |
| | | 409,041 | 419,895 |
| Listed on foreign stock exchange | | | |
| FL200,000 | Dutch Government 7% Stock 2003 | 68,643 | 69,229 |
| Not listed on recognised stock exchange | | | |
| 20,000 | Hallmark Growth Portfolio | 150,087 | 150,087 |
| 403,790 | Threadneedle UK Growth Trust | 100,003 | 100,003 |
| 48,940 | St James' Place International Unit Trust | 73,548 | 99,984 |
| 130,000 | Mercury Fund Managers British Blue Chip Fund | 93,002 | 93,002 |
| 50,000 | Newton Fund Managers Income Fund | 96,402 | 96,402 |
| 14,500 | Capel-Cure Myers Income and Growth Fund | 31,535 | 53,795 |
| | | <hr/> | <hr/> |
| | | 1,022,261 | 1,082,397 |
| | | <hr/> <hr/> | <hr/> <hr/> |

RIVERMEAD COURT LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

7 Debtors

| | 1998 £ | 1997 £ |
|--------------------------------|----------------|----------------|
| Trade debtors | 325,567 | 233,368 |
| Other debtors | - | 3,212 |
| Prepayments and accrued income | 25,618 | 19,713 |
| | <u>351,185</u> | <u>256,293</u> |

8 Creditors: amounts falling due within one year

| | | |
|------------------------------|----------------|----------------|
| Trade creditors | 331,882 | 315,974 |
| Other creditors | 5,350 | 3,500 |
| Taxation and social security | 9,407 | 4,937 |
| Corporation tax | 10,894 | 8,660 |
| Accruals | 96,614 | 129,513 |
| | <u>454,147</u> | <u>462,584</u> |

9 Share capital

Authorised

| | | |
|----------------------------|------------|------------|
| Ordinary shares of £1 each | 250 | 250 |
| | <u>250</u> | <u>250</u> |

Allotted and called up

| | | |
|----------------------------|------------|------------|
| Ordinary shares of £1 each | 207 | 207 |
| | <u>207</u> | <u>207</u> |

10 Profit and loss account

| | | |
|---------------------------------|------------------|------------------|
| Retained profit brought forward | 1,994,481 | 2,174,202 |
| Loss for the year | (445,711) | (179,721) |
| | <u>1,548,770</u> | <u>1,994,481</u> |

RIVERMEAD COURT LIMITED

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

11 Reconciliation of movements in shareholders' funds

| | 1998 £ | 1997 £ |
|---|-----------|-----------|
| Loss for the year | (445,711) | (179,721) |
| Issue of share capital | - | - |
| | <hr/> | <hr/> |
| Net decrease in shareholders' funds in the year | (445,711) | (179,721) |
| Opening shareholders' funds | 1,994,688 | 2,174,409 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 1,548,977 | 1,994,688 |
| | <hr/> | <hr/> |

12 Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 not to prepare a cash flow statement on the basis that the company is small.