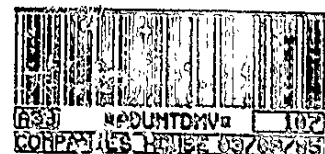


08-08-95

BRIXTON SMALL BUSINESS CENTRE LIMITED
(Company Registration No. 1693685)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1994



BRIXTON SMALL BUSINESS CENTRE LIMITED**DIRECTORS' REPORT**

The directors present their report and accounts for the year ended 31st December 1994.

PRINCIPAL ACTIVITIES

The activities of the Company are to be directed toward providing assistance in the form of low cost workshops, offices and retail areas and advisory services for small businesses in the Brixton Small Business Centre, an employment creation initiative by B.A.T Industries p.l.c. and the London Borough of Lambeth.

RESULTS FOR THE YEAR

The loss for the year after taxation amounted to £2,482,000 (1993 loss of £215,000) which has been added to the accumulated deficit.

The immediate holding company is currently negotiating the sale of the Company to a third party. As a consequence of this and arising from the current negotiations, the directors are of the opinion that the leasehold property of the Company currently has no value. Accordingly a charge of £2,245,300 has been made in arriving at the loss for the year, being the net book value of the leasehold property, partly offset by the release of the unamortised balance of the associated government grant.

BOARD OF DIRECTORS

The following served as directors during the year

*B W Hutchinson (Chairman)
S J R O Carey
L Dickson (retired 5.6.95)
S J Fisher
A I J Millington
J V Sinclair
D G Stevens
D Wilson*

BRLXTON SMALL BUSINESS CENTRE LIMITED

DIRECTORS' INTERESTS

The interests of the directors, in the share and loan capital of the Group are:

*B.A.T Industries p.l.c.
Ordinary 25p shares*

	<i>1st January 1994</i>	<i>31st December 1994</i>
<i>B W Hutchinson</i>	<i>451</i>	<i>834</i>
<i>S J R O Carey</i>	<i>160</i>	<i>160</i>
<i>S J Fisher</i>	<i>21,561</i>	<i>20,953</i>
<i>A I J Millington</i>	<i>51,462</i>	<i>44,851</i>
<i>D G Stevens</i>	<i>11,450</i>	<i>11,909</i>
<i>D Wilson</i>	<i>490</i>	<i>925</i>

<i>Share Options</i>				
	<i>1st January 1994</i>	<i>Granted</i>	<i>Exercised</i>	<i>31st December 1994</i>
<i>B W Hutchinson</i>	<i>4,064</i>	<i>---</i>	<i>---</i>	<i>2,540 * see note</i>
<i>S J Fisher</i>	<i>7,584</i>	<i>1,020</i>	<i>1,524</i>	<i>7,080</i>
<i>A I J Millington</i>	<i>7,568</i>	<i>---</i>	<i>---</i>	<i>7,568</i>
<i>D G Stevens</i>	<i>32,220</i>	<i>7,450</i>	<i>---</i>	<i>39,670</i>
<i>D Wilson</i>	<i>4,553</i>	<i>8,160</i>	<i>---</i>	<i>12,713</i>

** 1,524 Options lapsed during the year.*

On 31st December 1994 the directors, other than those who were not employees of B.A.T Industries p.l.c. and its U.K. subsidiaries, had a beneficial interest in 702,837 shares of B.A.T Industries p.l.c. During 1994, these shares were acquired by the B.A.T Industries Employee Share Ownership Trust, established for the purpose of satisfying options granted from 1994 onwards under the Group's 'E' share option scheme.

On behalf of the board



Secretary

1 AUGUST 1995

BRIXTON SMALL BUSINESS CENTRE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement sets out the responsibilities of the directors in relation to the financial statements. The report of the auditors, shown on page 4 sets out their responsibilities in relation to the financial statements.

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 as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the directors are required to:

- ♦ *select appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained;*
- ♦ *make judgements and estimates that are reasonable and prudent;*
- ♦ *state whether applicable accounting standards have been followed;*
- ♦ *and*
- ♦ *prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.*

The directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy 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 taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

The directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

BRIXTON SMALL BUSINESS CENTRE LIMITED

Report of the auditors to the members of Brixton Small Business Centre Limited.

We have audited the financial statements on pages 5 to 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, 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 mis-statement, 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 Company's affairs as at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

1st August 1995

BRINTON SMALL BUSINESS CENTRE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER

	Notes	1994 £'000	1993 £'000
Turnover	2	<u>406</u>	<u>424</u>
Operating loss before exceptional item	2	(240)	(220)
Write-down of leasehold property	6	(2,245)	—
Operating loss after exceptional item		(2,485)	(220)
Interest received		<u>3</u>	<u>4</u>
Loss on ordinary activities before taxation		(2,482)	(216)
Taxation on ordinary activities		—	—
Loss on ordinary activities after taxation		<u>(2,482)</u>	<u>(216)</u>

All of the activities during the year are in respect of continuing operations.

A full statement of recognised gains and losses is not included as the only movement would be the loss for the year.

Interest of ordinary equity shareholders

	1994 £'000	1993 £'000
Balance 1st January - deficit	(3,045)	(2,829)
Loss on ordinary activities after taxation	(2,482)	(216)
Balance 31st December - deficit	<u>(5,527)</u>	<u>(3,045)</u>

Notes are shown on pages 7 to 12.

BRIXTON SMALL BUSINESS CENTRE LIMITED

BALANCE SHEET AT 31ST DECEMBER

	Notes	1994 £'000	1993 £'000
ASSETS			
<i>Fixed assets</i>			
Tangible assets	7	894	3,384
<i>Current assets</i>			
Debtors	8	97	112
Cash at bank and in hand		<u>39</u>	<u>25</u>
		<u>136</u>	<u>137</u>
Total assets		<u>1,030</u>	<u>3,521</u>
LIABILITIES			
<i>Capital and reserves</i>			
Called up share capital	9	-	-
Profit and loss account - deficit		(5,527)	(3,045)
Interest of ordinary equity shareholders	10	(5,527)	(3,045)
Creditors - due within one year	11	6,047	5,930
- due beyond one year	11	<u>510</u>	<u>636</u>
Total funds employed		<u>1,030</u>	<u>3,521</u>

Notes are shown on pages 7 to 12.

On behalf of the board.



B W Hutchinson

Chairman

1st August 1995

BRIXTON SMALL BUSINESS CENTRE LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

a) Basis of accounting.

The accounts have been prepared on an historical cost basis in accordance with applicable accounting standards. As permitted by FRS1, no cash flow statement is submitted as the Company being a wholly-owned subsidiary undertaking of another EU company is not required to prepare one.

b) Going concern

The accounts have been drawn up on a going concern basis notwithstanding the deficiency of net tangible assets as the immediate and ultimate holding companies have indicated that they will not seek repayment of amounts due to the extent that to do so would prejudice the Company's ability to pay the debts as and when they fall due.

c) Tangible assets

Depreciation is provided on a straight line basis as follows:

- I. Freehold property - over 50 years*
- II. Leasehold property, being in excess of 50 years unexpired, is amortised - over 50 years*
- III. Own furniture and equipment - over 10 years*
- IV. Leased furniture and equipment - over 5 years*
- V. Computer software - over 5 years*
- VI. Partitioning - over 5 years*

d) Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright and capitalised at their equivalent cost value. The corresponding leasing commitments are shown as obligations to the lessor.

Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are treated as consisting of capital and interest elements. The interest charged to the profit and loss account is calculated so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

BRIXTON SMALL BUSINESS CENTRE LIMITED

NOTES TO THE ACCOUNTS

e) Government grants

Where Government grants have been received in respect of expenditure on fixed assets, these are amortised over 50 years being the useful life of the relevant asset.

2. Turnover and operating loss before exceptional item

	1994 £'000	1993 £'000
Turnover - rental income receivable	406	424
Other operating income	<u>7</u>	<u>—</u>
Other income	413	424
Staff costs	(137)	(131)
Other operating charges	(516)	(513)
Operating loss before exceptional item	<u>(240)</u>	<u>(220)</u>

3. Employees

Staff costs including directors' emoluments were:

	1994 £	1993 £
Wages and salaries	113,227	108,359
Social security costs	11,003	10,788
Pension costs	<u>12,452</u>	<u>11,730</u>
	<u>136,682</u>	<u>130,877</u>

4. Directors' emoluments

Chairman	nil	nil
Highest paid director	<u>32,355</u>	<u>33,385</u>

The remaining directors received no emoluments in 1994 or 1993

BRIXTON SMALL BUSINESS CENTRE LIMITED

NOTES TO THE ACCOUNTS

The average weekly number of persons employed during the year was:

	1994	1993
Administration	7	7

The company operates a defined contribution pension scheme with Allied Dunbar. At the balance sheet date prepaid contributions to the scheme amounted to £2,720 (1993 £2,720)

5. Other operating charges are stated after charging (crediting):

	1994 £	1993 £
Audit fee	3,500	3,500
Depreciation	132,066	131,410
Amortisation of government grants	(15,800)	(15,800)

6. Write-down of leasehold property

This exceptional item can be analysed as follows:

	1994 £'000	1993 £'000
Permanent diminution in value of leasehold property (see directors' report)	2,358	-
Unamortised balance of associated government grant	<u>(113)</u>	<u>-</u>
	<u>2,245</u>	<u>-</u>

BRIXTON SMALL BUSINESS CENTRE LIMITED

NOTES TO THE ACCOUNTS

7. Tangible fixed assets

	<i>Freehold property £'000</i>	<i>Leasehold property £'000</i>	<i>Furniture & equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
<i>1st January 1994</i>	<i>1,022</i>	<i>3,400</i>	<i>415</i>	<i>4,837</i>
<i>Additions</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
<i>31st December 1994</i>	<i>1,022</i>	<i>3,400</i>	<i>415</i>	<i>4,837</i>
<i>Accumulated depreciation</i>				
<i>1st January 1994</i>	<i>179</i>	<i>941</i>	<i>333</i>	<i>1,453</i>
<i>Charge for the year</i>	<i>20</i>	<i>101</i>	<i>11</i>	<i>132</i>
<i>Permanent diminution in value</i>	<i>—</i>	<i>2,358</i>	<i>—</i>	<i>2,358</i>
<i>31st December 1994</i>	<i>199</i>	<i>3,400</i>	<i>344</i>	<i>3,943</i>
<i>Net Book Value</i>				
<i>31st December 1994</i>	<i>823</i>	<i>—</i>	<i>71</i>	<i>894</i>
<i>31st December 1993</i>	<i>843</i>	<i>2,459</i>	<i>82</i>	<i>3,384</i>

Furniture and equipment includes the capitalised value of finance leases. The net book value at 31st December 1994 was nil (1993 nil)

8. Debtors

	<i>1994 £'000</i>	<i>1993 £'000</i>
<i>Trade debtors</i>	<i>78</i>	<i>91</i>
<i>Prepaid expenses</i>	<i>19</i>	<i>21</i>
	<i>97</i>	<i>112</i>

9. Called up share capital

	<i>1994 £</i>	<i>1993 £</i>
<i>Ordinary shares of £1 each, authorised issued and fully paid</i>	<i>100</i>	<i>100</i>

BRIXTON SMALL BUSINESS CENTRE LIMITED

NOTES TO THE ACCOUNTS

10. Interest of ordinary equity shareholders

*Profit and loss
account - deficit
£'000*

<i>1st January 1994</i>	<i>(3,045)</i>
<i>Retained loss</i>	<i>(2,482)</i>
<i>31st December 1994</i>	<i><u>(5,527)</u></i>

11. Creditors

Amounts falling due within one year:

	<i>1994 £'000</i>	<i>1993 £'000</i>
<i>Ultimate holding company (note 1b)</i>	<i>3,951</i>	<i>3,950</i>
<i>Holding company (note 1b)</i>	<i>1,664</i>	<i>1,664</i>
<i>Other creditors</i>	<i>289</i>	<i>195</i>
<i>Government grants</i>	<i><u>13</u></i>	<i><u>16</u></i>
	<i><u>5,917</u></i>	<i><u>5,825</u></i>

Maintenance provision

<i>1st January 1994</i>	<i>105</i>	<i>83</i>
<i>Provided</i>	<i>52</i>	<i>51</i>
<i>Used</i>	<i><u>(27)</u></i>	<i><u>(29)</u></i>
<i>31st December 1994</i>	<i><u>130</u></i>	<i><u>105</u></i>
<i>Total creditors</i>	<i><u>6,047</u></i>	<i><u>5,930</u></i>

Amounts falling due after one year:

<i>Government grants</i>		
<i>2nd year and onwards</i>	<i><u>510</u></i>	<i><u>636</u></i>

• *BRIXTON SMALL BUSINESS CENTRE LIMITED*

NOTES TO THE ACCOUNTS

12. Capital commitments

There was no capital expenditure authorised by the directors but not yet contracted for (1993 - nil).

13. Ultimate holding company

The Company's ultimate holding company is B.A.T Industries p.l.c., incorporated in Great Britain and registered in England and Wales. The only group of companies of which the Company is a member and for which group accounts are drawn up is that of B.A.T Industries p.l.c., whose consolidated financial statements can be obtained from The Secretary, Windsor House, 50 Victoria Street, London SW1H 0NL.