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179789

STANHOPE

REPORT & FINANCIAL STATEMENTS 1994

01-03-95

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DIRECTORS AND PROFESSIONAL ADVISERS

Directors
Stanley Honeyman*‡ §, F.R.I.C.S. (Chairman)
Stuart Lipton §, (Chief Executive)
John Botts*+‡ §
David Camp, B.Sc., A.R.I.C.S.
Roy Dantzic, C.A.
Peter Rogers, B.Sc., M.I.C.E.
* Non executive
+ US citizen
§ Member of remuneration committee
‡ Member of audit committee

Secretary, principal place of business and registered office
Roy Dantzic, C.A., Lansdowne House, Berkeley Square, London WIX 6BP

Merchant bankers
J. Henry Schroder Wagg & Co. Limited
Lazard Brothers & Co. Limited

Stockbrokers
Cazenove & Co.

Principal bankers
Barclays Bank PLC
Coutts & Co.

Auditors
Ernst & Young

Registrars
Barclays Bank PLC, P.O. Box 34, Octagon House, Gadbrook Park, Northwich, Cheshire CW9 7RD

Registered number
1719789

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GROUP STRUCTURE

Stanhope Properties PLC

Subsidiaries

100%

Principal subsidiary undertakings

	Activity
Stanhope Construction Limited*	Property development and project management
Stanhope Interior PLC	Fitting-out project management
Stanhope Estates Management Limited	Property management
Stanhope Cannon Street Limited	Property development

Associated undertakings

	Activity
Broadgate Properties Plc ("BP") 50% *(Issued share capital: 101,012,500 ordinary £1 shares)*	Property investment
Stanhope Kajima PLC ("SKP") 50% *(Issued share capital: 44,007,002 ordinary £1 shares)*	Property development and investment
London Regeneration Consortium PLC ("LRC") 33% *(Issued share capital: 5,820,000 ordinary £1 shares)*	Property investment
Stanhope Trafalgar Chiswick Limited ("STC") 50% *(Issued share capital: 4,000,000 ordinary £1 shares)*	Property development
New Oxford Limited ("NOL") formerly Stanhope County Limited 50% *(Issued share capital: 100 ordinary £1 shares, 900 £1 preference shares)*	Property development

BP group

50%

Broadgate

Ludgate

SKP group

50%

Stockley Park 58%

Euston

London Wall

LRC group

33%

Kings Cross

STC group

50%

Chiswick Park

NOL group

50%

St. George's Court

All subsidiary undertakings are wholly owned; all being held directly by the company except for those marked*. All companies are registered and operate in England.

BP, SKP, LRC, STC and NOL together with their respective subsidiary undertakings are referred to in the financial statements as:
"BP group", "SKP group", "LRC group", "STC group" and "NOL group".

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The directors submit their annual report, together with the group financial statements, for the year ended 30 June 1994.

Offer for the Company

On 19 January 1995, The British Land Company PLC ("British Land") announced that it would make a conditional offer ("the Offer") for all the issued share capital of the company other than the shares it already owns. On 16 February 1995, British Land issued the formal offer document. Further details of the Offer and related transactions are provided in note 1 to the financial statements.

Group results and review of the business

The consolidated profit and loss account on page 10 shows a loss for the year of £21,724,000 (1993: £54,094,000). The directors are unable to propose the payment of a dividend.

A review of the joint ventures, whose results had a material impact on the group, is set out below:

Broadgate Properties Plc

The carrying value of Stanhope's investment at 30 June 1994 was £116.0 million (1993: £74.2 million), an increase of £41.8 million in the year. The most significant contributions to this result were an increase of £46.7 million (Stanhope's share - £23.3 million) in the value of Broadgate Properties' investment properties, while a further £25.7 million (Stanhope's share - £12.9 million) was contributed by the release of provisions no longer required in respect of buildings which are not yet fully let. The profit for the year on ordinary activities before taxation amounted to £28.8 million compared with a loss of £72.5 million in the previous year, principally due to the release of provisions of £25.7 million referred to above.

On 17 January 1995, the Receiver of Rosehaugh PLC ("the Receiver"), who holds the other 50 per cent interest in Broadgate Properties Plc, issued a pricing notice in accordance with that company's Articles of Association. The notice triggers a valuation procedure, which can take up to 3 months, to fix a price for his interests. This process of itself does not commit the Receiver to sell his interests nor does it require or enable Stanhope to buy them, or to sell its interests to the Receiver.

Stanhope Kajima PLC

The loss for the year on ordinary activities before taxation amounted to £3.3 million compared with a loss of £13.5 million in the previous year. Since the end of the financial year, agreement has been reached with our partner Kajima Europe BV ("Kajima") on the termination of the joint-venture. The purpose of the transaction is to relieve Stanhope of its guarantee obligations to the lenders to Euston, in respect of loans maturing in April 1996, in return for Stanhope giving up all its investment in the joint-venture. On the assumption that an agreement will be successfully concluded it has been necessary to provide £10.7 million in these financial statements.

Stanhope Trafalgar Chiswick Limited

The development site at Chiswick Park has been written down by £20 million to a value of £30 million. (Stanhope's share: £15 million). Since the company can no longer be certain that it will have the financial resources to build out the site over time, this provision has been made to reflect the open market value of the site in its present state.

London Regeneration Consortium PLC ("LRC")

In January, 1994 the Government decided on St Pancras as the site of the new terminus for the Channel Rail Link and on a new approach route for the connecting railway line which meant that the original development plans for the site were unworkable. Subsequent to the year end, LRC received a payment of £10.5 million from British Rail to acquire the intellectual property rights to the proposed development and to compensate for abortive costs. We expect to recover some £3.7 million from LRC of which £2.9 million has been received to date.

Principal activities

Stanhope Properties PLC is the holding company of a number of subsidiary undertakings and a partner in various joint ventures, all of which are engaged, variously, in property development for investment or sale, property trading and the provision of project management services.

Directors and their interests

The directors of the company at 30 June 1994 are listed below. The directors' beneficial interests (including family interests) in the issued share capital of the company are shown below. There were no non-beneficial interests.

	Ordinary shares of 25p 30 June 1994		Ordinary shares of 25p 30 June 1993	
	Options	Shareholding	Options	Shareholding
S. A. Lipton	—	48,060,360	—	48,060,360
J. C. Botts	—	105,280	—	105,280
D. J. Camp	229,770	17,000	229,770	17,000
R. M. Dantzic	316,500	30,000	316,500	30,000
S. H. Honeyman	—	30,000	—	30,000
P. W. Rogers	796,170	408,000	796,170	408,000
V. A. Wang	332,410	1,862,000	332,410	1,862,000

There were no changes in the above interests in the period from 1 July 1994 to 31 January 1995.

Botts & Company, of whom John Botts is a director, received a fee of £125,000 for work undertaken by the firm in relation to the company's refinancing negotiations. Save as aforesaid, no director had any interests in contracts carried out by the group during the year.

Details of the non-executive directors:
Stanley Honeyman, who joined the Board in 1988, is Chairman and was formerly Chief Executive of English Property Corporation plc and a director of MEPC plc.

John Botts, who joined the Board in 1987, was formerly Managing Director of Citicorp Investment Bank Limited and is now Chairman of Botts and Company, a specialist corporate finance and investment company.

Changes in directors:
It is with great sadness that the Board records the sudden death of Lord Sharp of Grimsdyke on 2 May 1994. He had been Chairman since the flotation of the company in 1987 and more recently had also been Chairman of Broadgate Properties. The Board would like to record its profound gratitude to Lord Sharp for his immense contribution to the affairs of the company, to which he accorded the highest personal commitment.

Stanley Honeyman was appointed Chairman on 3 May 1994.

Vincent Wang resigned from the Board on 30 September 1994.

Directors' and officers' insurance

The company maintains a liability insurance policy on behalf of its directors and officers.

Substantial shareholdings

As at 31 January 1995, the following, other than directors and their families, held notifiable interests amounting to 3 per cent. or more of the issued share capital of the company:

British Land	29.90%
British Coal Pension Funds	7.26%
Scotia Bank Nominees Limited	3.07%

Political and charitable contributions

The group made charitable donations amounting to £3,850 during the year (1993: £1,300). No political donations were made by the group (1993: nil).

Fixed assets

The changes in fixed assets during the year are shown in the notes to the financial statements.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at an Extraordinary General Meeting convened for 13 March 1995.

Statement by the Directors on compliance with the Code of Best Practice

In December 1992, the Committee on the Financial Aspects of Corporate Governance published a Code of Best Practice ("the Code") regarding Corporate Governance. As a company with shares quoted on the Unlisted Securities Market of the London Stock Exchange, the company's directors are required to report whether they are complying with the Code and, where they are not complying, to give details of and reasons for the non-compliance and to state for which part of the period the non-compliance occurred.

The directors have not reported on the effectiveness of the company's system of internal control as the appropriate guidance only takes effect for accounting periods beginning on or after 1 January 1995.

With the exception of the following two matters, the directors consider that they have fully complied throughout the financial year with the operational aspects of the Code:

- Paragraph 1.3 of the Code recommends that the board should include non-executive directors of sufficient number for their views to carry significant weight in the board's decisions. Following the death of Lord Sharp on 2 May 1994, the company had two non-executive directors.
- Paragraph 4.3 of the Code recommends that the board should establish an audit committee of at least three non-executive directors. Throughout the financial year the audit committee comprised of two non-executive directors.

In the light of the position and on the basis described in note 1 to the financial statements, the directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

The company's auditors, Ernst & Young have reviewed this statement in accordance with guidance, issued by the Auditing Practices Board. The auditors have confirmed that the directors' comments on going concern are consistent with the information of which they are aware based on their normal audit work on the financial statements and that they have satisfied themselves that this statement appropriately reflects the company's compliance with the other paragraphs of the Code specified for their review.

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Directors' responsibilities in respect of 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 and the group and of the profit or loss of the group 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 group 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. 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.

For and on behalf of the Board

R. Dantzic

Roy Dantzic, DIRECTOR AND SECRETARY
16 February 1995

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To the members of Stanhope Properties PLC

We have audited the financial statements on pages 8 to 32, which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 6, 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 financial 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 group'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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements which concern, inter alia, the company's revolving credit facility, the conditional offer by The British Land Company PLC ("British Land") in respect of the issued share capital of the company which it does not already own and the provision of adequate working capital. In view of the significance of the uncertainty with regard to these matters and the adjustments which are likely to be required to the financial statements if the conditions to the British Land offer are not met, we consider they should be drawn to your attention. Our opinion is not, however, qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 1994 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young, London
CHARTERED ACCOUNTANTS, REGISTERED AUDITOR

16 February 1995

Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The financial statements have also been prepared on the going concern basis; more information with regard to this basis is given in note 1.

Basis of consolidation

The financial statements of the group include those of the company and its subsidiary undertakings and the group's share of results of associated undertakings for the year to 30 June 1994. Where associated undertakings adopt different accounting policies, adjustments are made on consolidation to restate the relevant amounts in accordance with group accounting policies.

The company has not presented its own profit and loss account as permitted by Section 230(3) of the Companies Act 1985.

Properties

Investment properties are accounted for in accordance with SSAP19, as follows:

(i) Investment properties are revalued annually and the aggregate surplus or deficit is transferred to the investment property revaluation reserve except where a deficit is deemed to represent a permanent diminution in the value of the property, in which event it is charged to the profit and loss account. This represents a change of accounting policy as a result of the group's early adoption of revisions to SSAP 19, which were announced on 21 July 1994. Previously, diminutions in value were charged to the profit and loss account where the revaluation reserve was insufficient to cover a deficit. The group's reserves have been adjusted by £24,641,000 in 1992 and £32,141,000 in 1993 to reflect the new policy and the comparative figures in the profit and loss account and balance sheet have also been adjusted where necessary; and

(ii) No depreciation or amortisation is provided in respect of freehold and long leasehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than amounts net of systematically calculated depreciation. Depreciation (or amortisation) is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Properties in the course of development to be retained as investments are stated at cost less provisions for any permanent or anticipated diminution in value. Interest and other outgoings attributable to the developments are capitalised in the cost of the properties until the latter are effectively completed and substantially let, whereupon they are reclassified as completed investment properties.

Completed investment properties also include properties which have been completed to shell and core stage, prelet and where access has been granted to the tenants to undertake their own fitting out. In such cases, all costs are accrued up to the date when the property will be first occupied in arriving at the valuation surplus or deficit.

Properties within stocks and work-in-progress are stated at cost less foreseeable losses and progress payments received and receivable and include all costs incurred in bringing the properties or developments to their present state. Costs include interest charges on borrowings which are related directly to specific development projects.

Profit on the sale of properties is recognised on exchange of contracts provided that, if the exchange is conditional, all material conditions have been satisfied by the date the financial statements are approved and there are no foreseeable circumstances which might prevent the completion of contracts and/or the physical handover of the properties concerned. If a property in the course of development is sold in circumstances where the development risk passes to the purchaser, profit is recognised on the percentage of completion basis laid down in SSAP9.

Other fixed assets and depreciation

Depreciation is provided on other fixed assets at 20 per cent. per annum on a reducing balance basis.

Subsidiary undertakings

Investments in subsidiary undertakings are stated at cost or as valued periodically by the directors based on net asset values. The principal subsidiary undertakings are shown on page 2.

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Associated undertakings

The company's investments in associated undertakings are stated at cost or as valued periodically by the directors based on net asset values. The net surplus or deficit arising on valuation is taken to a revaluation reserve. Provision is made for any commitments of the company for future funding required by associated undertakings.

On consolidation, investments in associated undertakings are stated at the group's share of their underlying net assets less provision for any foreseeable permanent diminution. Profits and losses made by the company and its subsidiary undertakings on transactions with associated undertakings, including the unrealised element of any profit derived from management charges, are eliminated on consolidation.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that it is probable that a liability will crystallise, calculated at the rate at which it is estimated that tax will be payable.

Operating leases

Rentals under operating leases are charged/credited to income on a straight line basis, save that no account is taken of possible future changes in rents unless they are predetermined in the lease, over the shorter of the term of the lease and a reasonable estimate of the group's likely period of ownership of the asset.

Interest receivable

Where group interest payable by associated undertakings is charged in the profit and loss accounts of those undertakings, an adjustment is made on consolidation to eliminate the group's interest receivable against the share of the results of associated undertakings reported in the consolidated profit and loss account. In cases where group interest is capitalised by associated undertakings, interest receivable by the group is recognised in the consolidated profit and loss account, unless provision has been made against the relevant property asset or loan balance, when the interest receivable is eliminated against that provision.

Finance costs

All costs directly relating to new or replacement debt finance are amortised over the term of the borrowings to which they relate.

All costs incurred in the re-negotiation or restructuring of debt finance are written off to the profit and loss account as incurred. This represents a change of accounting policy in accordance with Financial Reporting Standard No. 4 (FRS4). The group's reserves have been adjusted by £1,600,000 in 1992 and £1,200,000 in 1993 to reflect the new policy and the comparative figures in the profit and loss account and balance sheet have also been adjusted as necessary.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 1994

	Notes	1994 £000	1994 £000	1993 As restated £000	1993 As restated £000
Turnover	2		40,427		52,229
Cost of sales					
– ordinary trading			(38,599)		(37,973)
– exceptional operating items	7(a)		190		—
Gross profit			2,018		14,256
Administrative expenses					
– ordinary			(6,754)		(7,148)
– exceptional	7 (c)		(9,500)		—
Share of operating results of associated undertakings					
– ordinary trading		2,792		(5,426)	
– exceptional operating items	7(a)	(4,900)		(2,868)	
	11		(2,108)		(8,294)
Operating loss	3		(16,344)		(1,186)
Exceptional non-operating items					
Company and subsidiary undertakings:					
Net profit/(loss) on sale of investment properties	7(b)	233		(5,874)	
Other items	7(b)	(10,747)		(55)	
Share of associated undertakings	7(b)	15,230		(26,703)	
			4,716		(32,632)
Interest receivable			373		2,031
Interest payable and similar charges	6		(10,819)		(22,307)
Loss on ordinary activities before taxation	2		(22,074)		(54,094)
Taxation	8		350		—
Loss for the year	18		(21,724)		(54,094)
Loss per share	19		(13.09)p		(32.59)p

The comparative figures have been restated to give effect to the group's adoption of FRS4 and revisions to SSAP 19.

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	Notes	Group 1994 £000	Group As restated 1993 £000	Company 1994 £000	Company As restated 1993 £000
Fixed assets					
Tangible fixed assets	9	1,149	1,222	—	—
Subsidiary undertakings	10	—	—	549	549
Associated undertakings	11	135,023	108,069	199,857	164,052
		136,172	109,291	200,406	164,601
Current assets					
Development work-in-progress		1,679	1,548	—	—
Investments		39	11	—	—
Debtors:					
Due after more than one year	12	641	—	6,517	21,354
Due within one year	12	10,076	48,560	—	8
		10,717	48,560	6,517	21,362
Cash at bank and in hand	13	6,013	12,040	—	3
		18,448	62,159	6,517	21,365
Creditors: amounts falling due within one year	14	(164,302)	(39,133)	(157,206)	(2,566)
Net current (liabilities)/assets		(145,854)	23,026	(150,689)	18,799
Total assets less current liabilities		(9,682)	132,317	49,717	183,400
Creditors: amounts falling due after more than one year	15	—	(140,360)	—	(140,360)
Provision for liabilities and charges	16	(5,000)	(8,907)	(69,370)	(64,815)
		(14,682)	(16,950)	(19,653)	(21,775)
Capital and reserves					
Called up share capital	17	41,493	41,493	41,493	41,493
Share premium account	18	145,478	145,478	145,478	145,478
Capital redemption reserve	18	25	25	25	25
Revaluation reserves	18	68,280	31,043	6,569	—
Profit and loss account	18	(269,958)	(234,989)	(213,218)	(208,771)
		(14,682)	(16,950)	(19,653)	(21,775)

John Botts
Roy Dantzic
} DIRECTORS

16 February 1995

The comparative figures have been restated to give effect to the group's adoption of FRS4 and revisions to SSAP 19.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 1994

	Notes	1994 £000	1994 £000	1993 £000	1993 £000
Operating activities					
Net cash outflow	3(b)		(3,743)		(2,035)
Returns on investment & servicing of finance					
Interest received		419		2,320	
Interest paid		(10,883)		(27,783)	
Other financing costs		—		(3,641)	
Net cash outflow from returns on investment and servicing of finance			(10,464)		(29,104)
Taxation					
Tax refund received			3		355
Investing activities					
Sale of property assets		26,199		94,500	
Property sale costs		(288)		(506)	
Sale of other tangible fixed assets		72		30	
Purchase of tangible fixed assets		(275)		(108)	
Property development expenditure		—		(1,191)	
Advances to associated undertakings		(1,249)		(2,739)	
Purchase of investments		(28)		(11)	
Net cash inflow from investing activities			24,431		89,975
Net cash inflow before financing			10,227		59,191
Financing					
Bank loan drawdowns	14	12,827		5,922	
Bank loan repayments	14	(28,320)		(103,571)	
Released from blocked deposits	13	5,289		2,349	
Transferred to blocked deposits	13	(1,020)		(947)	
Net cash outflow from financing			(11,224)		(96,247)
Decrease in cash and cash equivalents	13		(997)		(37,056)

Statement of total recognised gains and losses

	1994 £000	1993 As restated £000
Loss for the year	(21,724)	(54,094)
Unrealised surplus/(deficit) on revaluation of investment properties – share of associated undertakings	23,998	(3,490)
Unrealised exchange differences	(6)	7
Total recognised net gain / (loss)	2,268	(57,577)
Prior year adjustment	(1,200)	
Total net recognised gain since last annual report	1,068	

Historical cost profits and losses

	1994 £000	1993 As restated £000
Reported loss on ordinary activities before taxation	(22,074)	(54,094)
Realisation of property revaluation gains of prior years		
– wholly owned	10,713	7,169
– share of associated undertakings	7,520	19,288
Permanent diminution in value of investment properties below historical cost – share of associated undertakings	(31,472)	—
Historical cost loss on ordinary activities before taxation	(35,313)	(27,637)

Reconciliation of movements in shareholders' funds

	1994 £000	1993 As restated £000
Loss for the year	(21,724)	(54,094)
Other recognised gains and losses relating to the year (net)	23,992	(3,483)
Net change in shareholders' funds	2,268	(57,577)
Opening shareholders' funds	(16,950)	40,627
Closing shareholders' funds	(14,682)	(16,950)

The comparative figures have been restated to give effect to the group's adoption of FRS4 and revisions to SSAP 19.

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1. *Finance and events subsequent to the date of the balance sheet*

On 6 January 1993, the company obtained a new Revolving Credit Facility ("RCF") of £160 million from a syndicate of banks ("the Syndicate"). At that time, the RCF was available until December 1996, subject to the company complying with a number of specified covenants (including net worth, cash flows and interest hedging) and subject to extensions, which were required to be agreed unanimously by members of the Syndicate, in December 1994 and December 1995. Amounts drawn under the RCF carry interest at rates linked to LIBOR.

The amount outstanding under the RCF at 30 June 1994 was £138.8 million. The RCF is guaranteed by the company's principal subsidiary undertakings and is secured by way of cross guarantees and by charges over the shares in and loans due from its subsidiary and associated undertakings. The RCF includes cross default provisions relating to certain subsidiary and associated undertakings. Members of the Syndicate are entitled to a fee based upon the net assets of the group. Details of this potential liability are set out in note 21.

On 20 December 1994, the company sold Stanhope Cambridge Limited ("Cambridge"), a subsidiary undertaking, for £3 million in cash and a deferred consideration of up to £1.8 million contingent upon the clarification of certain contractual issues. The proceeds were placed in a blocked account pending conclusion of discussions with the Syndicate.

On 22 December 1994, in order to protect their position, the agent for the Syndicate notified the company that the RCF was terminated. Accordingly all sums due thereunder became repayable, although the Syndicate refrained from demanding repayment.

On 19 January 1995, British Land announced that it would make a conditional offer for all the issued share capital of the company other than the 49,625,664 ordinary shares it already owns ("the Offer"). In conjunction with the Offer, British Land also made a proposal to the Syndicate under which British Land will settle or purchase the amount outstanding under the RCF. These transactions are due to complete no later than 31 March 1995.

On 26 January 1995, whilst reserving the right to demand repayment, the Syndicate consented to the phased release of the Cambridge proceeds referred to above to fund working capital requirements up to 31 March 1995. The Syndicate has reserved the right to withdraw its consent to the release of such proceeds at any time.

On 13 February 1995, the Company entered into an agreement to dispose of its 50 per cent interest in SKP to Kajima in consideration of a payment by the company of £0.5 million. The transaction will result in an overall loss of £10.7 which has been fully provided in these financial statements. In addition, the group's share of SKP's revaluation deficit of £31.5 million has been reclassified from revaluation reserve to the profit and loss account to reflect the realisation of the loss. The transaction, which is conditional upon the approval of shareholders and the Offer becoming unconditional, is due to complete on 31 March 1995.

On 14 February 1995, Saatchi & Saatchi Property Holdings Limited agreed to accept a surrender of the company's lease over the fifth floor at Lansdowne House for a payment of £3.5 million, an assignment of a sublease and an undertaking to reinstate the space being vacated. The reinstatement is estimated to cost £0.25 million and accordingly £3.75 million has been provided in the financial statements. Subject to the Offer becoming unconditional, the transaction is due to complete on 31 March 1995.

On 15 February 1995, the company entered into an agreement to sell Stanhope Interior PLC ("SI"), a subsidiary undertaking, to an entity owned by its management for £1.9 million in cash and the assumption by it of a £0.7 million loan due from the company. This transaction is conditional upon the approval of shareholders at an Extraordinary General Meeting.

On 16 February 1995, British Land issued the formal Offer document to shareholders and entered into an agreement to purchase the RCF debt on 31 March 1995 subject only to the Offer becoming wholly unconditional. The Offer is conditional upon a number of standard terms and conditions and to the approval by shareholders of the disposal of SI referred to above.

On the basis that its Offer becomes unconditional in all respects, British Land has given an undertaking, for the period to 31 March 1996, to procure the funding necessary to meet the properly proven legally binding obligations of the company and its remaining subsidiaries.

Given all of the above, the directors believe that there is a reasonable prospect that the company, and therefore the group, can avoid insolvent liquidation and the directors have therefore prepared these financial statements on the going concern basis. Should the arrangements be unsuccessful, it is probable that the company would have to cease trading, whereupon events of default would occur on the principal loan facilities within the SKP group and NOL group. In such an event, the going concern basis would not be appropriate and adjustments would have to be made to the financial statements to reduce the value of assets to their more immediately recoverable amounts, to provide for any further liabilities which may arise and to reclassify all fixed assets as current assets.

2. *Segmental information*

The activities of the subsidiary and associated undertakings set out on page 2 and the business segments identified in the tables set out below are defined as follows:

Property investment – the acquisition and construction of property to be held as investments.

Property development – the acquisition and construction of property for resale.

Project management – the management of construction, fitting-out and other property project activities.

Common costs and Common net liabilities comprise the group's corporate administration, predevelopment expenditure on potential projects and that element of the group's net borrowings which cannot be allocated specifically to the business segments described above. These net borrowings fund not only the cumulative Common costs of the group but also, in part, the loans made to associated undertakings. It is not practicable to attempt to apportion the net borrowings between these two categories. Similarly, the interest on these net borrowings has not been apportioned in the analysis of the group's loss for the year in the table below.

The turnover and (loss)/profit before taxation, including exceptional items, attributable to each segment are as follows:

	1994		1993 As restated	
	Turnover £000	(Loss)/profit £000	Turnover £000	(Loss)/Profit £000
Company and subsidiary undertakings				
Property investment	681	(10,348)	11,949	(3,517)
Property development	—	148	—	(97)
Project management	39,746	(1,060)	40,280	470
	40,427	(11,260)	52,229	(3,144)
Common costs	—	(4,283)	—	(4,675)
Common costs – exceptional	—	(9,500)	—	—
Net unallocated interest/finance costs	—	(10,153)	—	(11,278)
	40,427	(35,196)	52,229	(19,097)
Associated undertakings				
Property investment	—	19,254	—	(33,711)
Property development	—	(6,132)	—	(1,286)
	40,427	(22,074)	52,229	(54,094)
Total				
Property investment	681	8,906	11,949	(37,228)
Property development	—	(5,984)	—	(1,383)
Project management	39,746	(1,060)	40,280	470
	40,427	1,862	52,229	(38,141)
Common costs	—	(13,783)	—	(4,675)
Net unallocated interest/finance costs	—	(10,153)	—	(11,278)
	40,427	(22,074)	52,229	(54,094)

Turnover was all derived from external customers and arose in the United Kingdom, save for £2,875,000 (1993: £2,900,000) which arose in continental Europe. Turnover by destination is not different from turnover by source.

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2. *Segmental information (continued)*

The analysis of the net assets employed by each business segment is as follows:

	1994 £000	1993 As restated £000
Company and subsidiary undertakings		
Property investment	(137)	1,575
Property development	(15,217)	(15,365)
Project management	(1,105)	130
Common net liabilities	(132,930)	(108,941)
Net amounts due from associated undertakings	142,466	144,397
	(6,923)	21,796
Associated undertakings		
Property investment	18,524	(18,924)
Property development	(26,283)	(19,822)
	(7,759)	(38,746)
Total		
Property investment	105,695	72,303
Property development	13,658	19,558
Project management	(1,105)	130
Common net liabilities	(132,930)	(108,941)
Total net assets	(14,682)	(16,950)

3. *Operating loss*

		1994 £000	1993 As restated £000
(a)	Items charged/(credited) in arriving at operating loss		
	Auditors' remuneration – audit services	121	100
	– non-audit services	137	308
	Depreciation	243	268
	Operating lease rentals – land and buildings	3,633	3,661
	Net rental income	(643)	(12,128)
(b)	Reconciliation to net cash outflow from operating activities		
	Operating loss	(16,344)	(1,186)
	Exceptional operating items	(190)	—
	Depreciation	243	268
	Loss on sale of tangible fixed assets	13	14
	Share of results of associated undertakings	2,108	8,294
	Movement in development work-in-progress	(131)	(164)
	Movement in debtors	11,590	(9,474)
	Movement in creditors	1,148	2,843
	Movement in provisions	(2,180)	(2,630)
		(3,743)	(2,035)

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4. Directors' remuneration

	1994 £000	1993 £000
Fees	62	70
Other emoluments	789	913
	851	983
Chairman – current	8	—
– previous	38	45
Highest paid director	219	217

The remuneration of directors fell within the following ranges:	No.	No.
£Nil to £5,000	—	1
£5,001 to £10,000	1	3
£35,001 to £40,000	2	—
£40,001 to £45,000	—	1
£55,001 to £60,000	—	1
£60,001 to £65,000	1	—
£130,001 to £135,000	—	1
£155,001 to £160,000	2	1
£175,001 to £180,000	1	2
£215,001 to £220,000	1	1

There are no arrangements to remunerate directors on a systematic basis by reference to performance criteria.

Prior to his appointment as Chairman in May 1994, Stanley Honeyman was retained as a consultant to the company to advise on a number of existing development projects. Included in the emoluments shown above are amounts paid to him of £22,350.

None of the directors have had any share options granted in the year. All the share options currently held by the directors, as disclosed in the directors' report, are out of the money.

5. Personnel costs

	1994 £000	1993 £000
Salaries	5,558	5,497
Social security costs	503	511
	6,061	6,008

The average number of persons employed by the group was 115 (1993: 107). The company had no employees other than its directors (1993: nil).

6. Interest payable and similar charges

	1994 £000	1993 As restated £000
On bank loans and overdrafts	10,799	21,761
Associated undertakings	20	24
Amortisation of financing costs	—	522
	10,819	22,307

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7. Exceptional items

	1994 Company and subsidiary undertakings £000	1994 Associated undertakings £000	1993 As restated Company and subsidiary undertakings £000	1993 As restated Associated undertakings £000
(a) Exceptional operating items:				
Provisions released/(made) against development work-in-progress	190	(4,900)	—	(2,433)
Costs of rental guarantee	—	—	—	(435)
	190	(4,900)	—	(2,868)
(b) Exceptional non-operating items:				
Permanent diminution in value of investment properties	(20)	—	(55)	—
Permanent diminution in value of associated undertaking (see note 1)	(10,727)	—	—	—
Provisions released/(made) against investment properties in course of development	—	12,864	—	(25,770)
	(10,747)	12,864	(55)	(25,770)
Net profit/(loss) on sale of investment properties	233	2,366	(5,874)	(933)
	(10,514)	15,230	(5,929)	(26,703)

(c) Exceptional administrative expenses

These comprise; costs in conjunction with the Offer and associated transactions, of £5,750,000, and lease surrender costs of £3,750,000, as more fully described in note 1.

8. Taxation

	1994 £000	1993 £000
(a) Credit for the year		
Share of associated undertakings' taxation	(350)	—

No current taxation liability arises in respect of the results for the year of the company and its subsidiary and associated undertakings.

(b) Deferred taxation

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Timing differences	7,665	4,922	8,718	5,010
Tax losses	(18,165)	(13,964)	(8,039)	(4,307)
	(10,500)	(9,042)	679	703

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9. *Tangible fixed assets*

	Investment properties for disposal £000	Office equipment £000	Total £000
Cost or valuation:			
At 1 July 1993	95	4,371	4,466
Additions	—	275	275
Disposals	—	(228)	(228)
Permanent diminution in value	(20)	—	(20)
At 30 June 1994	75	4,418	4,493
Accumulated depreciation:			
At I July 1993	—	3,244	3,244
Charge for the year	—	243	243
Disposals	—	(143)	(143)
At 30 June 1994	—	3,344	3,344
Net book value:			
At 30 June 1994	75	1,074	1,149
At 30 June 1993	95	1,127	1,222

The net book value of investment properties at 30 June 1994 represents a long leasehold property which is stated at its open market value at that date, as valued by the directors. The property's historical cost is £204,000.

10. *Subsidiary undertakings*

	£000
At I July 1993 and 30 June 1994:	
Cost	710
Provisions for permanent diminution in value	(161)
	549

Details of the principal subsidiary undertakings are shown on page 2.

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11. Associated undertakings

The associated undertakings are shown on page 2, including identification of the abbreviated names used throughout these financial statements. Summarised financial information in respect of these undertakings is given in notes 22 to 24.

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
Share capital	76,451	76,451	76,451	76,451
Provision against carrying value	—	—	(25,945)	(57,092)
Post acquisition – retained earnings	(145,871)	(158,258)	—	—
– revaluation reserves	61,661	45,183	6,569	—
Share of net assets/Investment at book value	(7,759)	(36,624)	57,075	19,359
Amounts due	142,782	144,693	142,782	144,693
	135,023	108,069	199,857	164,052

As shown in note 16, the company has made provisions totalling £64,834,000 (1993: 55,886,000) against the net asset deficits of SKP, LRC, STC and NOL. The group's share of net assets is as follows:

	BP group £000	SKP group £000	LRC, STC & NOL groups £000	Total £000
Group's share of net assets				
At 1 July 1993	19,359	(14,413)	(41,570)	(36,624)
Share of operating loss before taxation	(843)	(2,769)	(7,101)	(10,713)
Taxation credit	—	350	—	350
Share of exceptional non-operating items	15,230	—	—	15,230
Share of revaluations	23,329	669	—	23,998
At 30 June 1994	57,075	(16,163)	(48,671)	(7,759)
Company's investment at book value				
At 1 July 1993	19,359	—	—	19,359
Revaluation and provision release	37,716	—	-	37,716
At 30 June 1994	57,075	—	—	57,075
Amounts due				
At 1 July 1993	54,870	23,350	66,473	144,693
Advances, interest and other charges	4,069	3,040	1,207	8,316
Provision for permanent diminution in value (see note 1)	—	(10,227)	—	(10,227)
At 30 June 1994	58,939	16,163	67,680	142,782

In accordance with the group's policy for interest receivable, the amount included in the consolidated profit and loss account for the group's share of the operating loss of associated undertakings differs from that shown in the table above.

	£000
As shown above	(10,713)
Release of provision for future funding (see note 16)	1,537
Elimination of group interest receivable	7,068
Included in the consolidated profit and loss account	(2,108)

12. Debtors

	Group 1994 £000	Group 1993 As restated £000	Company 1994 £000	Company 1993 As restated £000
Due within one year:				
Trade debtors	4,641	18,695	—	—
Other debtors	3,355	1,348	—	8
Prepayments and accrued income	2,080	28,517	—	—
	10,076	48,560	—	8
Due after more than one year:				
Other debtors	641	—	—	—
Amounts due from subsidiary undertakings	—	—	6,517	21,354
	10,717	48,560	6,517	21,362

Although the amounts shown as receivable from subsidiary undertakings at 30 June 1994 are due on demand, the financial position of the group is likely to preclude the settlement of existing intra-group balances for several years. Accordingly, these amounts have been classified as due after more than one year.

Included in group prepayments and accrued income at 30 June 1993 was £23,840,000 relating to the proceeds due on the sale of St. Botolph's House. The sale was completed in September 1993.

13. Cash at bank and in hand

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Cash at bank and in hand	5,364	7,122	—	3
Held in blocked deposit accounts	649	4,918	—	—
	6,013	12,040	—	3

Funds in blocked deposit accounts in the current year represent collateral held against project management assignments.

The movement in blocked deposit accounts of £4,269,000 represented amounts withdrawn of £5,289,000 and further deposits of £1,020,000.

An analysis of the change in the amount of cash and cash equivalents shown in the consolidated statement of cash flows is as follows:

	1994 £000	1993 £000	Change £000
Cash at bank and in hand	5,364	7,122	(1,758)
Bank overdraft (see note 14)	(1,000)	(1,761)	761
	4,364	5,361	(997)

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14. Creditors: amounts falling due within one year

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Bank loans – secured	140,825	15,750	140,825	—
Bank overdraft – secured	1,000	1,761	1,000	1,761
Trade creditors	[illegible]634	4,131	—	—
Other taxes and social security costs	[illegible]	443	—	—
Other creditors	[illegible]	13,672	—	—
Amounts due to associated undertakings		296	362	—
Amounts due to subsidiary undertakings		—	316	296
Accruals and deferred income		3,080	5,984	440
			8,719	69
	[illegible]	133	157,206	2,566

Included in Accruals and deferred income at 30 June 1994 are £3,750,0[illegible] lease surrender costs, £500,000 due to Kajima and £4,262,000 in respect of costs in connection with the Offer and other associated transactions.

The loans outstanding at 30 June 1994 represent the amount drawn under the company's RCF and a pari passu loan, the terms of which together with the overdraft, including maturity and security arrangements, are described in note 1 to the financial statements.

An analysis of the movement in bank loans is as follows:

	1994 £000	1993 £000
Bank loans drawn at the start of the year	156,110	253,600
Further amounts drawn	12,827	5,922
Amounts repaid	(28,320)	(103,571)
Interest rolled-up	208	159
Bank loans drawn at the end of the year	140,825	156,110

15. Creditors: amounts falling due after more than one year

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Bank loans – due between one and two years	—	140,360	—	140,360

16. Provisions for liabilities and charges

The movements in provisions during the year were as follows:

	Group £000	Company £000
At 1 July 1993	8,907	64,815
Release of provisions no longer required	(1,727)	(1,537)
Expenditure on development work-in-progress	(2,180)	—
Changes in provisions in respect of net asset deficits:		
– subsidiary undertakings	—	(2,856)
– associated undertakings	—	8,948
At 30 June 1994	5,000	69,370

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16. Provisions for liabilities and charges (continued)

An analysis of the provisions at the beginning and end of the year is set out below:

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Provision for future funding required by associated undertakings	—	1,537	—	1,537
Provisions for future costs in respect of development work-in-progress	5,000	7,370	—	—
Provisions for net asset deficits				
– subsidiary undertakings	—	—	4,536	7,392
– associated undertakings	—	—	64,834	55,886
	5,000	8,907	69,370	64,815

17. Share capital

	Ordinary shares of 25p each Authorised No	Issued, allotted and fully paid £
At 30 June 1993 and 30 June 1994	220,000,000	41,493,030

Options over the company's ordinary share capital have been granted to directors and employees under approved share option schemes. At 30 June 1994, options over 3,173,527 shares (1993: 3,681,498) were outstanding, exercisable on various dates up to May 1997, at prices ranging from 76.5p to 224p per share.

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18. Reserves

	Share premium £'000	Revaluation reserves £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Group					
At 1 July 1992:					
As previously reported	145,478	85,631	25	(230,400)	734
Prior year adjustment	—	(24,641)	—	23,041	(1,600)
As restated	145,478	60,990	25	(207,359)	(866)
Exchange difference	—	—	—	7	7
Group share of associated undertakings:					
Net revaluation surplus	—	4,010	—	—	4,010
Released on disposal	—	(19,288)	—	19,288	—
Released on disposal of wholly owned property	—	(7,169)	—	7,169	—
Loss for the year:					
As previously reported	—	—	—	(61,994)	(61,994)
Prior year adjustment	—	(7,500)	—	7,900	400
	—	(7,500)	—	(54,094)	(61,594)
At 1 July 1993 as restated	145,478	31,043	25	(234,989)	(58,443)
Exchange difference	—	—	—	(6)	(6)
Group share of associated undertakings:					
Net revaluation surplus	—	23,998	—	—	23,998
Released on disposal	—	(7,520)	—	7,520	—
Released on disposal of wholly owned property	—	(10,713)	—	10,713	—
Reclassification (see note 1)	—	31,472	—	(31,472)	—
Loss for the year	—	—	—	(21,724)	(21,724)
At 30 June 1994	145,478	68,280	25	(269,958)	(56,175)
Company					
At 1 July 1992:					
As previously reported	145,478	—	25	(144,229)	1,274
Prior year adjustment	—	—	—	(1,600)	(1,600)
As restated	145,478	—	25	(145,829)	(326)
Loss for the year:					
As previously reported	—	—	—	(63,342)	(63,342)
Prior year adjustment	—	—	—	400	400
	—	—	—	(62,942)	(62,942)
At 1 July 1993 as restated	145,478	—	25	(208,771)	(63,268)
Revaluation of investments in associated undertakings	—	6,569	—	—	6,569
Loss for the year	—	—	—	(4,447)	(4,447)
At 30 June 1994	145,478	6,569	25	(213,218)	(61,146)

Prior year adjustments reflect the change in accounting policies described on pages 8 and 9.

19. *Loss per share*

The loss per share is based on the loss on ordinary activities after taxation and has been calculated on the weighted average number of shares in issue during the year of 165,972,120 (1993: 165,972,120).

20. *Capital and other commitments*

At 30 June 1994, neither the company nor the group had any capital commitments (1993: nil). Commitments in respect of future funding required by associated undertakings and future costs in respect of development work-in-progress are shown in note 16 to the financial statements.

The group's minimum annual commitments under operating leases, in respect of land and buildings, are as follows:

	1994 £'000	1993 £'000
Operating leases which expire:		
Within 2 to 5 years	49	49
After 5 years	3,584	3,584
	3,633	3,633

As described in note 1, subsequent to the date of the balance sheet, the company reached agreement with its landlord to surrender its lease over the fifth floor at Lansdowne House in consideration of a payment of £3.5m. The company has also entered into a conditional contract to sell SI, a subsidiary undertaking. Upon the completion of these transactions, the annual commitments under operating leases (all expiring after five years) will reduce to £2,240,000.

21. *Contingent liabilities*

Group

Under the terms of the financing arrangement entered into on 6 January 1993 (see note 1), the RCF lending banks are entitled to a fee based on the excess over £10 million of the net assets of the group on the relevant date for payment. The relevant date is the earlier of (a) sale of the company's shares in the BP group, (b) re-financing of the RCF, or (c) 31 December 1997. The fee is limited to 10% of such excess.

Group companies are, from time to time, party to legal actions and claims which arise in the ordinary course of business. Whilst the outcome of these matters is uncertain, the directors believe that such matters outstanding at 30 June 1994 will be resolved without a material effect on these financial statements.

Company

The company had outstanding at 30 June 1994, the following guarantees:

(i) Guarantees concerning the due performance of certain contracts undertaken by one of its subsidiary undertakings.

(ii) Joint and several guarantees, given together with Kajima, over the principal amount of bank loans advanced to the SKP group of £90,000,000 (1993: £90,000,000). The guarantee liability is limited to the amount by which, at any time, the loan exceeds a specified percentage of the value of the properties upon which the loan is secured. The guarantee liability, calculated by reference to a valuation in August 1993 which was updated in January 1994, is £47,300,000.

Upon the completion of the disposal of the company's 50% interest in SKP, as described in note 1, Kajima will assume this contingent liability and the interest guarantee noted in (iii) below.

(iii) A several guarantee over 50% of the interest payments on the borrowings of £90,000,000 (1993: £90,000,000) referred to in (ii) above.

(iv) A several guarantee over 50% of the interest payments on borrowings of £5,850,000 (1993: £5,850,000) incurred by an associated undertaking.

(v) The company has agreed to give assurances to certain of its subsidiary undertakings that it will provide or procure sufficient finance to enable them to meet their liabilities as they fall due until at least the date on which their financial statements for the year ending 30 June 1995 are approved.

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22. *Information presented in respect of the BP group*

The summarised financial information in respect of the BP group set out below has been drawn from its audited consolidated financial statements for the year ended 30 June 1994.

	Notes	1994 £000	1993 £000
Balance sheet			
Tangible fixed assets:			
Properties	(i)	1,002,517	903,388
Other		622	729
		1,003,139	904,117
Current assets:			
Investment property	(i)	—	170,117
Development work-in-progress		3,000	3,000
Debtors		13,034	19,077
Cash at bank and in hand	(ii)	62,858	63,181
		78,892	255,375
Creditors: amounts falling due within one year	(iii)	(62,599)	(207,938)
Net current assets		16,293	47,437
Total assets less current liabilities		1,019,432	951,554
Creditors: amounts falling due after more than one year	(iii)	(905,283)	(912,837)
		114,149	38,717
Capital and reserves:			
Called up share capital		101,012	101,012
Revaluation reserve	(iv)	186,267	154,649
Profit and loss account	(iv)	(173,130)	(216,944)
		114,149	38,717
Profit and loss account			
Gross profit:			
Property investment		59,659	75,174
Property development and other trading activities		1,996	(1,891)
		61,655	73,283
Administrative and other expenses		(3,887)	(5,998)
Exceptional non-operating items:			
– Provisions released/(made) against the carrying values of development properties held for investment	(v)	25,728	(51,539)
– Profit/(loss) on disposal of properties		4,733	(1,867)
Interest receivable		3,533	4,489
Interest payable	(vi)	(62,987)	(90,891)
Profit/(loss) for the year		28,775	(72,523)

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22. Information presented in respect of the BP group (continued)

(i) BP group – properties

	Investment properties £000	In course of development £000	Total £000
Cost less provisions or valuation:			
At 1 July 1993	903,267	170,238	1,073,505
Additions	(742)	48,898	48,156
Release of provisions	—	25,728	25,728
Revaluations	46,657	—	46,657
Disposals	(171,117)	(20,412)	(191,529)
At 30 June 1994	778,065	224,452	1,002,517

	1994 £000	1993 £000
Reported in the balance sheet as:		
Fixed assets	1,002,517	903,388
Current assets	—	170,117
	1,002,517	1,073,505

The BP group, in association with British Railways Board ("BR"), has undertaken the commercial property developments at Broadgate and Ludgate, London.

Investment properties
The investment properties at 30 June 1994 comprise Phases 1, 2, 4, 6 and 11 of Broadgate and a number of other small properties in the Broadgate area, providing approximately 1.4 million sq ft net of offices. The Broadgate Phases are held freehold or on 999 year leases and are stated in the balance sheet at the aggregate of their open market values at 30 June 1994 based on valuations carried out by DTZ Debenham Thorpe Limited, International Property Advisers. The other small investment properties were valued on the same basis by the directors of BP.

When the financial statements of BP for the year ended 30 June 1994 were published in October 1994, the following note was included therein:

"The open market valuation of the investment properties includes £168,000,000 in respect of 1-2 Broadgate which is based upon the special assumption that rent payable by the tenant remains at the level awarded in favour of the landlord in High Court action following earlier arbitration proceedings. The tenant has lodged an appeal to the Court of Appeal to seek to overturn the High Court decision. The directors, with the benefit of professional advice, are of the view that the appropriate valuation is the special assumption value. DTZ Debenham Thorpe, the group's valuers, have advised that the open market valuation of the property without the special assumption was £159,000,000 as at 30 June 1994. They have also advised that it would be inappropriate to provide a valuation with the assumption of an adverse result in view of the advice that the tenant's appeal is likely to fail. Valuation on this basis would also require a special assumption (as defined in the RICS Valuation Guidelines), but SAVP 1 in those RICS Guidelines states that investment properties "must be valued on the basis of open market value" and such valuations should only be made on "such assumptions as the valuer reasonably and realistically could expect to be made by prospective purchasers in the open market". It is not considered that a valuation on the special assumption of an adverse result would be realistic. The directors have estimated that the reduction in the carrying value of the property resulting from an adverse result could be in the order of £20,000,000."

Since the publication of BP's financial statements, judgement was given in the Court of Appeal so that the rent payable by the tenant will now remain at the level awarded in favour of the landlord in the High Court action, as assumed for the purposes of inclusion of the valuation of 1-2 Broadgate in the balance sheet of BP.

Development properties held for investment
Development properties held for investment comprise principally a further phase at Broadgate, which provides approximately 141,000 sq ft net of offices (completed but partially let) and the three Ludgate buildings, providing approximately 490,000 sq ft net of offices and ancillary uses, which were completed during the year and partially let at 30 June 1994.

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22. *Information presented in respect of the BP group (continued)*

Other information

In the event of a disposal of the investment and development properties at the values shown above, it is estimated that the BP group's liability to taxation at current rates would amount to approximately £20,000,000 (1993: £26,000,000) after taking account of allowances and losses for taxation purposes. No provision has been made for this potential liability on the basis that it is not likely to arise.

(ii) BP group – cash at bank and in hand

Cash at bank and in hand includes blocked deposits of £40,891,000 (1993: £47,017,000) the use of which is restricted to payments to external funders and other third parties.

(iii) BP group – creditors

	Due within one year 1994 £000	Due within one year 1993 £000	Due after one year 1994 £000	Due after one year 1993 £000
Bank loans secured on properties (see (a) below)	—	129,565	690,557	701,255
Loans from shareholders (see (b) below)	—	—	117,879	109,740
Other loan secured on property (see (c) below)	—	—	98,000	98,000
Trade creditors	797	1,557	—	—
Accruals, deferred income and taxes	61,802	76,816	4,675	7,046
Promissory note (see (d) below)	—	—	2,347	7,438
Deferred finance costs	—	—	(8,175)	(10,642)
	62,599	207,938	905,283	912,837

(a) Bank loans shown above of £690,557,000 (1993: £701,255,000) are drawn under facilities, governed by a supplementary Agreement entered into in November 1992, which are described further below. The total of the facilities available under the Agreement provided an original limit of £680,586,000 (1993: £870,711,000) plus excess interest and other development costs rolled up.

The facilities, which are available until September 1997 subject to the BP group continuing to comply with specified covenants (including minimum net worth and loan to value ratios and consent for certain types of transactions), are secured upon the assets of the relevant BP group companies. All BP group companies which are party to the Agreement have entered into a Group Debenture Agreement whereby they have guaranteed the payment of certain BP group liabilities pursuant to the Agreement.

Interest on the facilities is charged at a rate related to London Interbank Offer Rate. Various hedging arrangements have been implemented. In the event of the disposal of the Ludgate properties, the Ludgate facility banks are entitled to participate in 25% of any surpluses arising in the value achieved over the amount of the related bank debt. No such surplus arose on the disposal of 100 Ludgate Hill during the year.

(b) Loans from shareholders bear interest at a commercial rate, are secured under the terms of the Group Debenture Agreement and are subordinated to the claims of the BP group's bankers under the Agreement referred to above.

(c) Other loan secured on property represents an amount raised in respect of 135 Bishopsgate (Broadgate Phase 6) through a credit enhanced US$ commercial paper programme, which expires in December 1997. This loan is excluded from the arrangements noted in (a) above.

(d) BP has issued an interest bearing promissory note, maturing in September 1997, to a trustee on behalf of the purchaser of a former associated undertaking. During the year, BP redeemed £5,000,000 of the promissory note, together with accrued interest thereon, leaving an amount outstanding at 30 June 1994 of £2,347,000.

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22. Information presented in respect of the BP group (continued)

(iv) BP group – reserves

	Revaluation £000	Profit and loss £000
At 1 July 1993	154,649	(216,944)
Profit for the year		28,775
Surpluses arising on revaluation of investment properties	46,657	—
Transfer to revenue reserves on disposal of properties	(15,039)	15,039
At 30 June 1994	186,267	(173,130)

(v) BP group – exceptional non-operating items

In prior years, provisions were made against the carrying values of development properties held for investment to reflect the estimated values of the properties at the date when they become effectively completed, substantially let and rent producing and total estimated costs including interest, to be incurred in taking the properties to that state. £25,728,000 of these provisions were released during the year, reflecting changes in the previous estimates referred to above.

(vi) BP group - interest payable and similar charges

	1994 £000	1993 £000
On bank loans, overdrafts and other loans repayable within five years not by instalments:		
Bank loans	58,911	87,874
Loans from shareholders	8,139	9,740
Other loan	11,400	11,381
	78,450	108,995
Other interest payable	2,137	2,141
Re-financing costs and related charges	847	1,616
Amortisation of financing costs	3,153	2,750
	84,587	115,502
Amounts capitalised to development properties	(21,600)	(24,611)
	62,987	90,891

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23. *Information presented in respect of the SKP group*

The summarised financial information in respect of the SKP group set out below has been drawn from its draft consolidated financial statements for the year ended 30 June 1994.

	Note	1994 £000	1993 As restated £000
Balance sheet			
Tangible fixed assets:			
Completed investment properties	(i)	76,250	66,500
Other		212	163
		76,462	66,663
Current assets:			
Stocks and work-in-progress	(ii)	117,165	225,037
Debtors		2,912	4,630
Cash at bank	(iii)	34,568	10,381
		154,645	240,048
Creditors: amounts falling due within one year	(iv)	(16,863)	(20,306)
Net current assets		137,782	219,742
Total assets less current liabilities		214,244	286,405
Creditors: amounts falling due after more than one year	(iv)	(229,027)	(300,373)
Provisions for liabilities and charges		(418)	—
		(15,201)	(13,968)
Capital and reserves:			
Called up share capital		44,007	44,007
Revaluation reserve		(62,945)	(64,282)
Profit and loss account		(13,389)	(8,551)
Minority interests		17,126	14,858
		(15,201)	(13,968)
Profit and loss account			
Gross profit:			
– ordinary trading		19,285	17,530
– exceptional operating items	(v)	(933)	(3,263)
		18,352	14,267
Administrative expenses		(3,594)	(2,053)
Share of results of associated undertaking		(176)	—
Net interest payable		(19,798)	(27,170)
Interest capitalised		1,926	1,501
Loss before taxation		(3,290)	(13,455)
Taxation		720	—
Minority interests		(2,268)	2,377
Loss for the year		(4,838)	(11,078)

23. Information presented in respect of the SKP group (continued)

(i) SKP group – completed long leasehold investment properties at valuation

	£000
At 1 July 1993	66,500
Additions	8,413
Revaluation surplus	1,337
At 30 June 1994	76,250

The investment properties were revalued on an open market basis at 30 June 1994 by Chesterton, International Property Consultants.

(ii) SKP group – stocks and work-in-progress

	1994 £000	1993 £000
Development work-in-progress and raw materials	91,180	85,547
Completed properties for resale	25,985	139,490
	117,165	225,037

Development work-in-progress represents the costs expended to date, less provisions to reduce the carrying values to reflect market conditions, in respect of land, infrastructure, initial design and feasibility work. The recoverability of the book amounts is dependent upon the successful completion of the developments in due course.

The production cost of stocks and work-in-progress includes capitalised interest of £26,643,000 (1993: £51,004,000).

(iii) SKP group – cash at bank

At 30 June 1994, cash at bank included £20,702,000 held in blocked accounts, of which £13,909,000 was held to partly repay subsequent to the year end, loans due to Kajima. A further £5,193,500 represents a rent penalty from a departing tenant.

(iv) SKP group – creditors

	Due within one year		Due after one year	
	1994 £000	1993 £000	1994 £000	1993 £000
Bank loans - secured	—	4,250	90,000	90,000
Loans from shareholders - secured	—	—	55,460	99,240
Loans from shareholders - unsecured	—	—	52,782	46,700
Other loans - secured	—	—	14,378	48,026
Other loans - unsecured	—	—	16,407	16,407
	—	4,250	229,027	300,373
Bank overdrafts - secured	278	1,398	—	—
Bank overdrafts - unsecured	—	151	—	—
Trade and other creditors	2,367	2,555	—	—
Accruals and deferred income	14,218	11,952	—	—
	16,863	20,306	229,027	300,373

The bank loans and overdrafts are secured individually by fixed charges over the properties to which they relate and floating charges over the specific project related assets.

Loans from shareholders and Other loans carry interest at rates linked to LIBOR and include £57,240,000 and £16,407,000 (1993: £46,700,000 and £16,407,000), respectively, repayable after more than five years. The security provided in respect of these loans comprises fixed charges over the relevant property and other assets, and floating charges over the businesses of the subsidiary undertakings concerned.

In October 1994:

(a) A loan amounting to £51,002,000 at 30 June 1994 from Kajima was due to be repaid on 30 December 1994. Kajima has undertaken not to call for repayment of the loan until 29 December 1995.

(b) Arrangements have been agreed to also extend the repayment date of a loan of £14,378,000 until 29 December 1995.

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23. Information presented in respect of the SKP group (continued)

(v) SKP group – exceptional operating items

	1994 £000	1993 £000
Provision against stocks and work-in-progress	933	2,393
Costs of rental guarantee commitment	—	870
	933	3,263

24. Information presented in respect of the LRC, STC and NOL groups

The summarised statements of net liabilities set out below have been drawn from the relevant management accounts of the associated undertakings, amended in certain cases to reflect different levels of provisions made by the directors of Stanhope Properties PLC against the book values of property/project expenditure.

	LRC group 1994 £000	STC group 1994 £000	NOL group 1994 £000
Property assets (note i)	655	30,000	5,751
Other assets	11,595	1,230	130
Due to shareholders	(37,155)	(103,664)	(6,504)
Bank loan (note ii)	—	—	(5,850)
Other liabilities	(632)	(1,260)	(149)
Net liabilities	(25,537)	(73,694)	(6,622)

(i) LRC, STC and SCL groups – project summaries

LRC was selected by the owners of a site of approximately 134 acres north of London's King's Cross Station, for the comprehensive development of that site. Accordingly, LRC progressed an outline town planning application with the London Borough of Camden for a mixed use development with substantial office content. In August 1992, the full Council of the London Borough of Camden passed a resolution that they were minded to grant an outline planning consent. The period for determination of consent was extended to 30 April 1993 by which time it was anticipated such consent would have been granted. At the same time, British Rail had sought to obtain Parliamentary powers for the railway works that they were proposing to undertake at King's Cross. These envisaged, inter alia, a new terminus beneath the existing King's Cross train shed for the rail link with the Channel Tunnel. However, in January 1994, the Government decided on St. Pancras as the site for the new terminus and on a new approach route for the connecting railway line which meant that the original development plans for the King's Cross site were unworkable. Shortly after the decision, LRC began to prepare a legal case against British Rail to recover abortive costs incurred in promoting the King's Cross scheme. On 1 July 1994, British Rail made a payment of £10.5 million (included in other assets above) to LRC to acquire the intellectual property rights to the proposed development and to compensate the company for the abortive costs incurred in promoting the scheme. Following the Government's decision, the directors of LRC agreed that, of necessity, its development activities had to cease and, subsequent to the year end, they have decided to liquidate LRC. Accordingly, the financial statements for the year ended 30 June 1994 have been prepared on a break up basis and adjustments have been made to provide for diminution in value of all fixed assets so as to reduce their carrying value to their estimated realisable amount, to provide for any further liabilities which may arise and to reclassify fixed assets as current assets.

The STC group is undertaking an office business park development at Chiswick Park. Further work will be dependent upon obtaining preletting agreements for the proposed buildings. The carrying value of the development site at Chiswick Park is based upon its present open market value as assessed by the Stanhope directors, having taken the advice of external valuers.

The NOL group holds for sale a substantially let investment property at St. George's Court, London on which it has obtained planning permission for redevelopment.

(ii) The bank loan is secured on property and is repayable within one year.