STANHOPE PROPERTIES PLC

719789

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CORPORATE STATEMENT

To provide business with property solutions and buildings that contribute to success through improved productivity and efficiency.

To add value to the built environment through the creation of places and buildings of architectural merit.

As reported in my statement last year, on 6 January 1993 the Company successfully completed negotiations to modify and extend its revolving credit facility, which was due for repayment in December 1993. As a result, the facility became secured and was extended until December 1996, subject to continuing compliance with specified covenants and to review by the banks in December 1994 and 1995.

Prior to concluding these arrangements, on 23 November 1992 our principal joint venture company, Broadgate Properties Plc (formerly Rosehaugh Stanhope Developments (Holdings) Plc) entered into an override agreement with its bankers to enable co-ordinated management of its separate facilities. Under the arrangements, the maturity date of all of the relevant facilities is extended to a common date, 30 September 1997. In addition, the interest on any facility, to the extent it cannot be serviced from rental income from the relevant property, is rolled up until the new maturity date and compliance with covenants is regulated under the new override agreement instead of individual facilities.

The support and confidence of the banking community has enabled the group to weather the recession and has placed it in a position to benefit from the expected continued improvement in the property market.

RESULTS

The group incurred a reduced loss for the year to 30 June 1993 of £62.0 million, compared with a loss of £213.4 million for the previous year. No dividend is proposed. The principal reasons for the loss were the need to make provisions totalling £34.2 million in respect of unlet accommodation at Ludgate, 199 Bishopsgate and Euston and interest payable of £22.7 million. Central overheads have been substantially reduced; they amounted to £4.7 million, compared to £8.0 million in the year to 30 June 1992. Since the year end, we have agreed terms to sub-let half of our office accommodation at Berkeley Square which, if concluded, will give rise to further annual savings of approximately £470,000.

Group net assets have reduced to a deficit of £15.8 million at the year end, compared with a surplus of £42.2 million at 30 June 1992. This deficit should represent the nadir of the group's performance and is against the background of an extremely severe and protracted downturn in property values.

FINANCING

In accordance with the terms of the Company's refinancing, to which I have referred above, we have now effected the disposal of our wholly owned properties as follows:

- on 23 December 1992, the group completed the sale of the headquarters building at Millbank House, Staines, occupied by British American Tobacco, for a consideration of £20.5 million;
- on 15 June 1993, the group completed the sale of 200 Grays Inn Road to the occupier, Independent Television News, for a consideration of £80.6 million, of which £3 million is receivable if further lettings are achieved, irrespective of their terms. As a result of a letting since the sale, £1.7 million will be payable to the Company on 25 March 1994; and,
- since the year end, on 29 September 1993, the group completed the sale of the headlease of St Botolph's House, Houndsditch, City of London for a consideration of £23.8 million, with the possibility of a further payment if an interest in the building is sold within 3 years of completion of the sale.

As a result of this disposal programme, Stanhope reduced its borrowings from £254 million at 30 June 1992 to the current level of approximately £132 million.

The Company has successfully complied with all its banking covenants.

BROADGATE PROPERTIES

Significant realisations of assets have also been completed by Broadgate Properties during the financial year and subsequently, which have provided gross proceeds totalling £465 million. The realisations at Broadgate during the financial year comprised Broadwalk House (Phase 9/10), acquired by the principal occupier Credit Lyonnais, and 100 Liverpool Street together with No. 8 Broadgate (Phase 3), acquired by the occupier Union Bank of Switzerland. Since the end of the financial year, 175 Bishopsgate (Phase 8), which is let to the European Bank for Reconstruction and Development, was acquired by Deutsche Grundbesitz-Investmentgesellschaft mbH.

These realisations have achieved a material reduction in Broadgate Properties' bank borrowings which now amount to approximately £790 million compared with £1,125 million at 30 June 1992.

A key objective of Broadgate Properties in the current financial year is the achievement of substantial lettings at Ludgate and at 199 Bishopsgate. In the last 12 months, lettings totalling 430,000 sq ft net have been contracted, or agreed subject to contract, at Ludgate and Broadgate. Provided that these are satisfactorily completed, 95% of the original accommodation of over 4,000,000 sq ft net created at these two landmark City developments will have been occupied. Whilst the rentals achieved on lettings in the last 12 months have been commensurate with the depressed letting market, rental levels are now beginning to improve and the cost of tenant incentives are reducing markedly. More significantly, the policy of Broadgate Properties has been to place particular emphasis on achieving lease terms which are attractive to investing institutions, since this is the key to generating growth in investment values in the future, as the expected further improvement in rental values and yields materialises.

OUTLOOK

Last year, I remarked that many commentators believed that the property cycle had reached the bottom and that by the end of 1993 values and rents could start to rise. This expectation followed from Britain's exit from the ERM in September 1992 and the impact that declining interest rates would have generally on business confidence and specifically on property yields.

This belief has been fulfilled. The rapid and substantial fall in interest rates, resulting in property yields exceeding bond yields for the first time in a number of years, has benefited grade 'A' buildings, as evidenced by the sale of 175 Bishopsgate referred to above and two disposals since the year end totalling approximately £70m which have taken place at Stockley Park. In addition, the revival of business confidence and the growing shortage of grade 'A' space, has led to an improvement in letting prospects.

I believe that the bottom of the property cycle has passed. With the rising demand for high quality office investments, which make up the bulk of our portfolio, we expect to see slow but steady progress over the coming twelve months and thereafter, which will assist towards a return to positive net worth.

Against this background, the Board is reviewing, with its advisers, options for strengthening the balance sheet including the possibility of raising new equity and a further restructuring of the Company's banking arrangements. It is expected that this review will take some time to complete.

Lord Sharp of Grimsdyke, CHAIRMAN

It has been another difficult year for the property industry. However, leading commentators believe that the turning point for the property industry was reached in the late summer. Rising levels of demand in the letting market, and increases in capital values, indicate that property has again become attractive to occupiers and investors.

The City market has become a key barometer of property generally. Whilst rents there in real terms remain at half their peak level in 1989, tenants are now realising that the supply of grade 'A' space is reducing and is likely to be leased in a far shorter period than had been anticipated only a few months ago. For smaller occupiers there is considerable choice in the City, but there are now only 7 buildings available over 100,000 sq ft. As we predicted last year, the market is beginning to see the effects of segmentation with sub-markets becoming clearer.

Investment activity has continued to improve with a welcome return to the market by British funds. Including the sale of 175 Bishopsgate, the net benefit of which totalled £179 million, in the last three years we have disposed of approximately £840m of properties. These sales indicate that we have developed quality property which is attractive to a wide range of investors. I believe that these indications of quality will become more important as rental values and subsequent capital values continue to rise at the end of this property recession.

We have continued to lease office space. At Stockley Park we have secured lettings of over 100,000 sq ft to tenants such as Tetra Pak, Reebok International and Polaroid. Stockley Park is now 96% leased. Ludgate has been attracting keen occupier interest. Since the year end, we have let 215,000 sq ft to, amongst others, Dow Jones Telerate, Wilde Sapte and Hill Samuel, and negotiations are in hand to let a further 135,000 sq ft. Together with the space let to Baker & McKenzie we have let or have under offer 430,000 sq ft out of a total of 545,000 sq ft. At 199 Bishopsgate, the only vacant building at Broadgate, we have 60,000 sq ft leased out of a total of 142,000 sq ft. We are optimistic that the remaining space will lease in the coming months.

It is likely that the property industry will become more segmented. Very few of the traditional investment companies are likely to continue developing; they will concentrate on efficient management of income producing property. Changes in legislation, which will allow tax efficient securitisation of property, are important to assist greater liquidity, in a market where customer needs have led to large buildings which can be financed most efficiently by a broad pool of investors. Others will continue to be traders leaving a small core of investment developers. We see our skills in this latter category producing buildings for investors, consumers and for our own account.

Equally important to us will be opportunities to enhance land values working with owners to add value to their sites and develop jointly with them. We are, for example, pursuing a site on this basis at Oxford Station with British Rail. In the City of London, we have obtained planning consent for new buildings of some 400,000 sq ft for CT Bowring immediately next to the Tower of London.

The property industry faces real competition for the first time since the war from a free market with opportunities for tenants to have real choice on quality, price and location. Demand for large, uninterrupted floors of a regular shape is very active. An examination of the potential development sites likely to be available confirms that there are surprisingly few sites which could be developed to provide large floor plate buildings with the technology and flexibility required by demanding occupiers.

We take a restrictive view on what qualifies as grade 'A' space. Many commentators only apply location and age criteria; but in our view this misses other important quantitative and qualitative measures such as size and regularity of floor plate, natural day light, proximity to amenities and public transport. Cost-in-use and user efficiency are also important markers in the selection criteria. Setting standards in construction costs and service charges are likely to become increasingly important. Stanhope remains committed to benchmarking, which enabled record breaking cost and time reductions of around 30 per cent. to be achieved at Broadgate and elsewhere compared to industry norms. Setting and achieving challenging targets will be especially important as the old benefits accruing from inflation are no longer available.

We welcome the opportunity to offer competitively priced buildings using the skills of our experienced team offering occupiers the opportunity to buy or lease fully fitted buildings at fixed prices minimizing their risks and offering better value.

The business requirements of occupiers are now more demanding and centre around low cost and high efficiency. We believe that we are well equipped to meet these challenges. Our relationship with our customers is changing and becoming far more focussed. Whilst in the 1980s we were right to conduct exhaustive sector research and then provide the right space for that sector, the 1990s will see relationships working with individual occupiers to provide specific solutions to their property needs. We remain a development company committed to adding value through maximising property utility to occupiers and achieving best value for landowners and investors.

CAMBRIDGE

We have reached an advanced stage in our planning negotiations for the development of a new settlement to the west of Cambridge. The masterplanned project which includes 3,000 homes, a neighbourhood centre and a major business park provides us with a significant future opportunity held on a low risk option basis.

STANHOPE INTERIOR AND ESTATES

Stanhope Interior continues to provide an excellent fit-out service on a specialised basis and Stanhope Estates has begun to become more active, by managing buildings and serving a number of clients with the skills and low cost basis which our development experience has generated.

EUSTON

Following the departure of the block "B" tenant, we are refurbishing the building for reletting next year.

CHISWICK PARK

With the improvement in the market, we are more hopeful of achieving a pre-let over the next 12 months.

KINGS CROSS

The future of Kings Cross is dependent upon the outcome of the current study by British Rail into the use of St Pancras as an alternative terminal for the Channel Tunnel. In the event that the St Pancras option is adopted by British Rail, LRC has been advised by Leading counsel that it has good prospects for recovering abortive costs incurred in promoting the Kings Cross scheme.

STAFF

I would again like to thank all the staff on your behalf for their hard work, loyalty and support.

Stuart Lipton, CHIEF EXECUTIVE

Stanhope Properties PLC

Subsidiaries

100%

Watling House
Stanhope Interior
Stanhope Estates Management
Stanhope Development Management

BP group

50%

Broadgate
Ludgate

SKP group

50%

Stockley Park 58%
Euston
London Wall

LRC group

33%

Kings Cross

STC group

50%

Chiswick Park

SCL group

50%

St. George's Court

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
Stanhope Development Management GmbH*	Project management

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 investment
Stanhope County Limited ("SCL") 50% *(Issued share capital: 100 ordinary £1 shares, 900 £1 preference shares)*	Property development

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

DIRECTORS

The Lord Sharp of Grimsdyke* §, Kt., C.B.E., B.Sc. (Econ.) (Chairman)

Stuart Lipton §, (Chief Executive)

John Botts*+‡ §

David Camp, B.Sc., A.R.I.C.S.

Roy Dantzic, C.A.

Stanley Honeyman*‡ §, F.R.I.C.S.

Peter Rogers, B.Sc., M.I.C.E.

Vincent Wang, B.Sc., R.I.B.A.

* 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. Ltd

STOCKBROKERS

Cazenove & Co.

PRINCIPAL BANKERS

Barclays Bank PLC; Coutts & Co.

AUDITORS

Ernst & Young

SOLICITORS

Herbert Smith

REGISTRARS

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

REGISTERED NUMBER

1719789

The directors submit their annual report, together with the group financial statements, for the year ended 30 June 1993.

Group results and dividend

The consolidated profit and loss account on page 13 shows a loss for the year of £62.0 million. The year's activities and future developments are reviewed in the Chairman's Statement on pages 2 and 3 and in the Chief Executive's Report on pages 4 and 5. The directors are unable to propose the payment of a dividend.

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 1993 are listed below. The directors' interests (including family interests) in the issued share capital of the company were as follows:

	Ordinary shares of 25p 30 June 1993		Ordinary shares of 25p 30 June 1992	
	Options	Shareholding	Options	Shareholding
Lord Sharp	—	299,960	—	299,960
S. A. Lipton	—	48,060,360	—	51,392,360
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	—	20,000	—	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

The reduction in the holding of S.A. Lipton resulted from one of his children attaining the age of 18.

There were no changes in the above interests in the period from 1 July 1993 to 11 November 1993.

Details of the non-executive directors:

Lord Sharp, the Chairman, who joined the Board in 1987, was formerly Chairman and Chief Executive of Cable and Wireless plc, is non-executive Chairman of Broadgate Properties Plc, and is a non-executive director of Carlton Communications plc and Unifi Inc (USA).

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.

Stanley Honeyman, who joined the Board in 1988, was formerly Chief Executive of English Property Corporation plc and a director of MEPC plc.

Changes in directors:

Peter Kershaw, Paul Reichmann and Robert John resigned from the Board on 30 October 1992, 4 February 1993 and 29 March 1993 respectively.

No director had any interests in contracts carried out by the group during the year.

Substantial shareholdings
As at 31 October 1993, 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:

Olympia & York (UK) Limited, 32.97%

British Coal Pension Funds, 7.26%

Political and charitable contributions
The group made charitable donations amounting to £1,300 during the year (1992 – £13,743).
No political donations were made by the group (1992 – nil).

Events subsequent to the balance sheet
The group completed the sale of St. Botolph's House in October in 1993, having exchanged contracts before the end of the financial year.

Broadgate Properties Plc sold its long leasehold interest in 175 Bishopsgate and the Stanhope Kajima group sold its interests in two buildings at Stockley Park. Details of these transactions are more fully described in note 22(vii) and note 23(vi) to the financial statements.

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

Close company
In the opinion of the directors, the company was throughout the year a close company within the meaning of the Taxes Acts.

Auditors
Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Corporate governance
The Cadbury Committee produced its final report on the Financial Aspects of Corporate Governance on 1 December 1992. During the year, other than those matters awaiting guidelines from the accounting profession, the company has complied in all major respects with the recommendations contained in the report.

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

General Meetings of Shareholders
In addition to the matters contained in the Notice of Annual General Meeting, set out on page 36, the directors have called an Extraordinary General Meeting, also on 13 December 1993, to consider the loss by the company of more than half its issued share capital.

For and on behalf of the Board

R. Dantzic

Roy Dantzic, DIRECTOR AND SECRETARY
15 November 1993

STATEMENT OF 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 judgments 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.

REPORT OF THE AUDITORS

To the members of Stanhope Properties PLC

We have audited the financial statements on pages 11 to 35, 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 11 and 12.

Respective responsibilities of directors and auditors

As described above, 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 judgments 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 affairs of the company and the group at 30 June 1993 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, London
CHARTERED ACCOUNTANTS, REGISTERED AUDITOR
15 November 1993

Accounting convention

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, which include Financial Reporting Standard No. 3 ("FRS3"). Comparative figures have been restated, where necessary, so as to also comply with FRS3. No change to the group's loss for the year ended 30 June 1992 or the net assets of the company or the group at that date resulted from these restatements.

Basis of consolidation

The financial statements of the group include those of the company and its subsidiary undertakings and the group's share of the results of associated undertakings for the year to 30 June 1993. Where associated undertakings adopt different accounting policies, adjustments are made on consolidation to restate the relevant amounts in accordance with group accounting policies.

Stanhope Properties PLC 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. Where the total of the reserve is insufficient to cover a deficit, the amount by which the deficit exceeds the reserve is charged in the profit and loss account; 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, pre-let 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
Short leasehold properties are amortised over their lease terms. Depreciation is provided on other fixed assets at 20 per cent. per annum on a reducing balance basis.

Subsidiar 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 6.

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.

On consolidation, investments in associated undertakings are stated at the group's share of their underlying net assets. Profits and losses made by the company and its subsidiary undertakings on transactions with associated undertakings are eliminated on consolidation.

Stanhope provides, as a shareholder, management services to associated undertakings, principally in respect of property, financial and accounting matters. Charges are made for such services where commercially appropriate. The unrealised element of any profit derived from such charges is eliminated on consolidation.

Deferred taxation
Deferred taxation is provided under 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:

(i) the term of the lease; and

(ii) 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 incurred in connection with the raising of debt finance are charged to the profit and loss account, except to the extent that they are attributable directly to the finance obtained, such costs being amortised over the term of the borrowings to which they relate.

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.

For the year ended 30 June 1993

	Notes	1993 £000	1993 £000	1992 £000	1992 £000
Turnover	2		52,229		56,860
Cost of sales					
– ordinary trading			(37,973)		(42,824)
– exceptional operating items	7(a)		—		(13,702)
Gross profit			14,256		334
Administrative expenses					
– ordinary			(7,148)		(10,449)
– exceptional financing costs			—		(4,400)
Share of operating results of associated undertakings					
– ordinary trading		(5,426)		(20,318)	
– exceptional operating items	7(a)	(2,868)		(46,3[illegible])	
	11		(8,294)		(66,664)
Operating loss	3		(1,186)		(81,179)
Exceptional non-operating items					
Company and subsidiary undertakings:					
Net loss on sale of investment properties		(5,874)		(1,800)	
Other items	7(b)	(55)		(36,517)	
Share of associated undertakings	7(b)	(34,203)		(72,438)	
			(40,132)		(110,755)
Interest receivable			2,031		8,899
Interest payable and similar charges	6		(22,707)		(31,674)
Loss on ordinary activities before taxation	2		(61,994)		(214,709)
Taxation	8		—		1,274
Loss for the year	18		(61,994)		(213,435)
Loss per share	19		(37.35)p		(128.60)p

The accounting policies and notes on pages 11 and 12 and 17 to 35 form part of these financial statements.

BALANCE SHEETS

At 30 June 1993

	Notes	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Fixed assets					
Tangible fixed assets	9	1,222	111,081	—	—
Subsidiary undertakings	10	—	—	549	549
Associated undertakings	11	108,069	144,397	164,052	183,339
		109,291	255,478	164,601	183,888
Current assets					
Property		—	20,500	—	—
Development work-in-progress		1,548	1,384	—	—
Investments		11	—	—	—
Debtors:					
Due after more than one year	12	—	—	21,354	73,602
Due within one year	12	49,760	13,998	1,208	1,965
		49,760	13,998	22,562	75,567
Cash at bank and in hand	13	12,040	48,737	3	15,355
		63,359	84,619	22,565	90,922
Creditors: amounts falling due within one year	14	(39,133)	(51,918)	(2,566)	(30,496)
Net current assets		24,226	32,701	19,999	60,426
Total assets less current liabilities		133,517	288,179	184,600	244,314
Creditors: amounts falling due after more than one year	15	(140,360)	(233,250)	(140,360)	(160,000)
Provision for liabilities and charges	16	(8,907)	(12,702)	(64,815)	(41,547)
		(15,750)	42,227	(20,575)	42,767
Capital and reserves					
Called up share capital	17	41,493	41,493	41,493	41,493
Share premium account		145,478	145,478	145,478	145,478
Capital redemption reserve		25	25	25	25
Revaluation reserve	18	63,184	85,631	—	—
Profit and loss account	18	(265,930)	(230,400)	(207,571)	(144,229)
		(15,750)	42,227	(20,575)	42,767

Stuart Lipton
Roy Dantzic } DIRECTORS
15 November 1993

The accounting policies and notes on pages 11 and 12 and 17 to 35 form part of these financial statements.

For the year ended 30 June 1993

	Notes	1993 £000	1993 £000	1992 £000	1992 £000
Operating activities					
Net cash (outflow)/inflow	3(b)		(2,035)		812
Returns on investment & servicing of finance					
Interest received		2,320		9,140	
Interest paid		(27,783)		(25,574)	
Other financing costs		(3,641)		—	
Net cash outflow from returns on investment and servicing of finance			(29,104)		(16,434)
Taxation					
Tax refund		355		—	
ACT paid		—		(8)	
Taxation received/(paid)			355		(8)
Investing activities					
Sale of property assets		94,500		—	
Property sale costs		(506)		—	
Sale of other tangible fixed assets		30		51	
Purchase of tangible fixed assets		(108)		(503)	
Property development expenditure		(1,191)		(10,810)	
Advances to associated undertakings		(2,739)		(46,634)	
(Purchase)/sale of investments		(11)		15	
Merger costs		—		(1,194)	
Net cash inflow/(outflow) from investing activities			89,975		(59,075)
Net cash inflow/(outflow) before financing			59,191		(74,705)
Financing					
Bank loan drawdowns	15	5,922		29,865	
Bank loan repayments	15	(103,571)		—	
Released from blocked deposits	13	2,349		—	
Transferred to blocked deposits	13	(947)		(3,337)	
Net cash (outflow)/inflow from financing			(96,247)		26,528
Decrease in cash and cash equivalents	13		(37,056)		(48,177)

The accounting policies and notes on pages 12 and 13 and 17 to 35 form part of these financial statements.

For the year ended 30 June 1993

Statement of total recognised gains and losses

	1993 £000	1992 £000
Loss for the year	(61,994)	(213,435)
Unrealised surplus/(deficit) on revaluation of investment properties		
– wholly owned properties	—	(18,414)
– share of associated undertakings	4,010	(45,066)
Unrealised exchange gains	7	—
Total recognised net losses	(57,977)	(276,915)

Historical cost profits and losses

	1993 £000	1992 £000
Reported loss on ordinary activities before taxation	(61,994)	(214,709)
Realisation of property revaluation gains of prior years		
– wholly owned properties	7,169	62
– share of associated undertakings	19,288	18,900
Temporary diminution in value of investment properties below historical cost		
– share of associated undertakings	31,569	93,007
Historical cost loss on ordinary activities before taxation	(3,968)	(102,740)

Reconciliation of movements in shareholders' funds

	1993 £000	1992 £000
Loss for the year	(61,994)	(213,435)
Other recognised gains and losses relating to the year (net)	4,017	(63,480)
Net reduction in shareholders' funds	(57,977)	(276,915)
Opening shareholders' funds	42,227	319,142
Closing shareholders' funds	(15,750)	42,227

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"). The RCF is 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 are 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 RCF replaces the previous revolving credit facility of £165 million, is guaranteed by the company's principal subsidiary undertakings and is secured by way of cross guarantees and second fixed charges on all of the property assets of the company and its subsidiary undertakings and charges over the shares in and loans due from the 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 to the financial statements.

During the year, revised funding arrangements were also agreed within the company's principal associated undertakings, the BP group and the SKP group, and summaries of each of those arrangements are given in notes 22(iii) and 23(iv), respectively, to these financial statements.

The company and its principal associated undertakings have, to date, fulfilled all of the requirements of these funding arrangements. Accordingly, the directors believe that the company and its subsidiary and associated undertakings will have adequate finance to enable them to meet their liabilities as and when they fall due at least until December 1994 and that it is therefore appropriate to prepare these financial statements on the going concern basis.

In April 1993, one of the company's subsidiary undertakings exchanged contracts for the sale of its investment property, St. Botolph's House, London; the sale being completed in October 1993. In accordance wit . the group's accounting policies, the sale has been recognised in these financial statements.
Subsequent to the end of the financial year, each of the company's principal associated undertakings made sales of properties, further details being provided in notes 22(vii) and 23(vi) to these financial statements.

2. Segmental information

The activities of the subsidiary and associated undertakings set out on page 6 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, pre-development 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:

	1993 Turnover £000	1993 (Loss)/profit £000	1992 Turnover £000	1992 (Loss)/profit £000
Company and subsidiary undertakings				
Property investment	11,949	(3,517)	13,613	(1,999)
Property development	—	(97)	123	(15,340)
Project management	40,280	470	43,124	785
	52,229	(3,144)	56,860	(16,554)
Waiver of loan to associated undertakings	—	—	—	(34,454)
Common costs	—	(4,675)	—	(8,047)
Common costs – exceptional	—	—	—	(6,409)
Net unallocated interest/finance costs	—	(11,678)	—	(10,143)
	52,229	(19,497)	56,860	(75,607)
Associated undertakings				
Property investment	—	(41,211)	—	(101,425)
Property development	—	(1,286)	—	(37,677)
	—	(42,497)	—	(139,102)
Total				
Property investment	11,949	(44,728)	13,613	(137,878)
Property development	—	(1,383)	123	(53,017)
Project management	40,280	470	43,124	785
	52,229	(45,641)	56,860	(190,110)
Common costs	—	(4,675)	—	(14,456)
Net unallocated interest/finance costs	—	(11,678)	—	(10,143)
	52,229	(61,994)	56,860	(214,709)

Turnover was all derived from external customers and arose in the United Kingdom, save for £2,900,000 (1992 – £1,200,000) which arose in continental Europe. Turnover by destination is not different from turnover by source.

2. Segmental information (continued)

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

	1993 £000	1992 £000
Company and subsidiary undertakings		
Property investment	1,575	19,879
Property development	(15,365)	(15,340)
Project management	130	(115)
Common net liabilities	(107,741)	(103,691)
Amounts due from associated undertakings	144,397	131,528
	22,996	32,261
Associated undertakings		
Property investment	(18,924)	26,832
Property development	(19,822)	(16,866)
	(38,746)	9,966
Total		
Property investment	72,303	126,804
Property development	19,558	19,229
Project management	130	(115)
Common net liabilities	(107,741)	(103,691)
Total net assets	(15,750)	42,227

3. Operating loss

	1993 £000	1992 £000
(a)Items charged/(credited) in arriving at operating loss		
Auditors' remuneration – audit services	100	97
– non-audit services	308	259
Depreciation	268	532
Net rental income	(12,128)	(11,801)
(b)Reconciliation to net cash (outflow)/inflow from operating activities		
Operating loss	(1,186)	(81,179)
Exceptional operating items	—	13,702
Depreciation	268	532
Loss on sale of tangible fixed assets	14	33
Share of results of associated undertakings	8,294	66,664
Non-cash income from associated undertaking	—	(2,500)
Movement in development work-in-progress	(164)	(777)
Movement in debtors	(9,474)	(2,199)
Movement in creditors	2,843	6,536
Movement in provisions	(2,630)	—
	(2,335)	812

4. Directors' remuneration

	1993 £000	1992 £000
Fees	70	78
Other emoluments	913	1,185
	983	1,263
Chairman	45	49
Highest paid director	217	233

The remuneration of directors fell within the following ranges:	No.	No.
£Nil to £5,000	1	1
£5,001 to £10,000	3	3
£40,001 to £45,000	1	—
£45,001 to £50,000	—	1
£55,001 to £60,000	1	—
£95,001 to £100,000	—	1
£130,001 to £135,000	1	—
£145,001 to £150,000	—	1
£155,001 to £160,000	1	—
£165,001 to £170,000	—	2
£175,001 to £180,000	2	—
£185,001 to £190,000	—	2
£215,001 to £220,000	1	—
£230,001 to £235,000	—	1

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

5. Personnel costs

	1993 £000	1992 £000
Salaries	5,497	7,036
Social security costs	511	664
	6,008	7,700

The average number of persons employed by the group was 107 (1992 – 151). The company had no employees other than its directors (1992 – nil).

6. Interest payable and similar charges

	1993 £000	1992 £000
On bank loans and overdrafts	21,911	28,819
Associated undertakings	24	32
Other interest	—	182
Amortisation of financing costs	772	—
Interest swap termination costs	—	2,641
	22,707	31,674

7. Exceptional items

	1993 Company and subsidiary undertakings £000	1993 Associated undertakings £000	1992 Company and subsidiary undertakings £000	1992 Associated undertakings £000
(a) Exceptional operating items				
Provisions against development work-in-progress	—	(2,433)	(13,702)	(45,880)
Income from profit sharing agreement	—	—	—	1,412
Costs of rental guarantee	—	(435)	—	(1,878)
	—	(2,868)	(13,702)	(46,346)
(b) Exceptional non-operating items				
Revaluation deficit on investment properties	(55)	(7,500)	(54)	(19,250)
Provisions against investment properties in course of development	—	(25,770)	—	(73,757)
Waiver of loans to associated undertakings	—	—	(34,454)	23,368
Abortive merger costs	—	—	(1,194)	—
Permanent diminution in value of fixed assets	—	—	(815)	—
	(55)	(33,270)	(36,517)	(69,639)
Net loss on sale of investment properties		(933)		(2,799)
		(34,203)		(72,438)

8. Taxation

(a) Charge/(credit) for the year	1993 £000	1992 £000
Advance corporation tax written off	—	34
Share of associated undertakings' taxation	—	(1,308)
	—	(1,274)

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

(b) Deferred taxation

No provision for deferred taxation has been made in these financial statements (1992 – nil), the potential (assets)/liabilities being shown below:

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Timing differences	4,922	1,580	5,010	3,318
Properties	—	6,200	—	—
Tax losses	(13,964)	(10,610)	(4,307)	(3,737)
	(9,042)	(2,830)	703	(419)

9. *Tangible fixed assets*

	Investment properties for disposal £000	Office equipment £000	Total £000
Cost or valuation:			
At 1 July 1992	109,750	4,319	114,069
Additions	—	108	108
Disposals	(109,600)	(56)	(109,656)
Revaluation deficit	(55)	—	(55)
At 30 June 1993	95	4,371	4,466
Accumulated depreciation:			
At 1 July 1992	—	2,988	2,988
Charge for the year	—	268	268
Disposals	—	(12)	(12)
At 30 June 1993	—	3,244	3,244
Net book value:			
At 30 June 1993	95	1,127	1,222
At 30 June 1992	109,750	1,331	111,081

The net book value of investment properties at 30 June 1993 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. The revaluation deficit of £55,000 on this property has been charged to the profit and loss account (see note 7(b)), there being no balance on the investment revaluation reserve in respect of properties wholly owned by the group.

10. *Subsidiary undertakings*

	£000
At 1 July 1992 and 30 June 1993:	
Cost	710
Provisions for permanent diminution in value	(161)
	549

Details of the principal subsidiary undertakings are shown on page 6.

11. Associated undertakings

The associated undertakings are shown on page 6, 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 to these financial statements.

	Group		Company	
	1993 £000	1992 £000	1993 £000	1992 £000
Share of net assets	(36,624)	12,668	—	—
Investment at book value	—	—	19,359	51,610
Amounts due	144,693	131,729	144,693	131,729
	108,069	144,397	164,052	183,339

	BP group	SKP group	LRC, STC & SCL groups	Total
Group's share of net assets				
At 1 July 1992	51,610	(1,374)	(37,568)	12,668
Share of operating loss before taxation	(9,558)	(5,539)	(4,002)	(19,099)
Share of exceptional non-operating items	(26,703)	(7,500)	—	(34,203)
Share of revaluations	4,010	—	—	4,010
At 30 June 1993	19,359	(14,413)	(41,570)	(36,624)
Company's investment at book value				
At 1 July 1992	51,610	—	—	51,610
Revaluation	(32,251)	—	—	(32,251)
At 30 June 1993	19,359	—	—	19,359
Amounts due				
At 1 July 1992	50,000	19,258	62,471	131,729
Advances, interest and other charges	4,870	4,092	4,002	12,964
At 30 June 1993	54,870	23,350	66,473	144,693

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	(19,099)
Release of provision for future funding	1,165
Elimination of group interest receivable	9,640
Included in the consolidated profit and loss account	(8,294)

12. Debtors

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Due within one year:				
Trade debtors	18,695	3,663	—	—
Other debtors	2,548	5,351	1,208	1,203
Amounts due from associated undertakings	—	72	—	72
Prepayments and accrued income	28,517	4,912	—	690
	49,760	13,998	1,208	1,965
Due after more than one year:				
Amounts due from subsidiary undertakings	—	—	21,354	73,602
	49,760	13,998	22,562	75,567

Although the amounts shown as receivable from subsidiary undertakings at 30 June 1993 are due on demand (1992 – £46,220,000), the financial position of these subsidiary undertakings 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 is £23,840,000 relating to the proceeds due on the sale of St. Botolph's House. The sale was completed subsequent to the year end.

13. Cash at bank and in hand

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Cash at bank and in hand	7,122	42,417	3	15,355
Held in blocked deposit accounts	4,918	6,320	—	—
	12,040	48,737	3	15,355

Funds in blocked deposit accounts represent collateral held against project management assignments and rental income received from certain investment properties which may only be utilised to settle interest on the loans and other specified expenditure.

During the year, £2,349,000 was released from the blocked accounts, principally as a result of the sale of investment properties, and £947,000 was deposited in the accounts as collateral in respect of project management assignments.

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

	1993 £000	1992 £000	Change £000
Cash at bank and in hand	7,122	42,417	(35,295)
Bank overdraft	(1,761)	—	(1,761)
	5,361	42,417	(37,056)

14. Creditors: amounts falling due within one year

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Bank loans (see note 15)	15,750	21,850	—	5,000
Bank overdraft (see note 15)	1,761	—	1,761	—
Trade creditors	4,131	8,842	—	—
Other taxes and social security costs	443	219	—	—
Other creditors	13,672	840	—	437
Amounts due to associated undertakings	296	273	296	273
Amounts due to subsidiary undertakings	—	—	440	18,061
Accruals and deferred income	3,080	19,894	69	6,725
	39,133	51,918	2,566	30,496

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

	Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
Bank loans	156,110	253,600	140,360	165,000
Loans repayable within one year	—	(5,000)	—	(5,000)
Loans repayable on the sale of properties	(15,750)	(16,850)	—	—
	140,360	231,750	140,360	160,000
Trade creditors	—	1,500	—	—
	140,360	233,250	140,360	160,000

The loans repayable on the sale of properties have been classified as falling due within one year as the sales of the properties concerned were completed before the date of approval of the financial statements. The loan of £15,750,000 reclassified in this way at 30 June 1993 was repaid on the sale of St.Botolph's House.

The remaining loan outstanding at 30 June 1993 of £140,360,000 represents the amount drawn under the company's RCF, the terms of which together with the overdraft of £1,761,000 included in note 14, including maturity and security arrangements, are described in note 1 to the financial statements.

An analysis of the change in the amounts of bank loans shown in the consolidated statement of cash flows is as follows:

	1993 £000	1992 £000
Bank loans drawn at the start of the year	253,600	223,735
Further amounts drawn	5,922	29,865
Amounts repaid	(103,571)	—
Interest rolled-up	159	—
Bank loans drawn at the end of the year	156.110	253,600

16. Provisions for liabilities and charges

The movements in provisions during the year were as follows:

	Group £000	Company £000
At 1 July 1992	12,702	41,547
Advances to associated undertakings	(1,165)	(1,165)
Expenditure on development work-in-progress	(2,630)	—
Provisions in respect of net asset deficits		
– subsidiary undertakings	—	7,392
– associated undertakings	—	17,041
At 30 June 1993	8,907	64,815

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

	Group		Company	
	1993 £000	1992 £000	1993 £000	1992 £000
Provision for future funding required by associated undertakings	1,537	2,702	1,537	2,702
Provisions for future costs in respect of development work-in-progress	7,370	10,000	—	—
Provisions for net asset deficits				
– subsidiary undertakings	—	—	7,392	—
– associated undertakings	—	—	55,886	38,845
	8,907	12,702	64,815	41,547

17. Share capital

	Ordinary shares of 25p each	
	Authorised No	Issued, allotted and fully paid £
At 30 June 1992 and 30 June 1993	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 1993, options over 3,681,498 shares (1992 – 5,857,595) were outstanding, exercisable on various dates up to May 1997, at prices ranging from 76.5p to 224p per share.

18. Reserves

	Group		Company
	Investment property revaluation reserve £000	Profit and loss account £000	Profit and loss account £000
At 1 July 1992	85,631	(230,400)	(144,229)
Exchange difference	—	7	—
Group share of associated undertakings:			
Net revaluation surplus	4,010	—	—
Released on disposal	(19,288)	19,288	—
Released on disposal of wholly owned property	(7,169)	7,169	—
Loss for the year	—	(61,994)	(63,342)
At 30 June 1993	63,184	(265,930)	(207,571)

18. Reserves(continued)

Following the disposal of the group's major wholly owned investment properties during the year, the investment property revaluation reserve at 30 June 1993 represents the group's share of the reserve within the BP group, less a proportion of the capitalisation of reserves undertaken by the company in a previous financial period.

There were no movements in the year in either the company or the group in the share premium account and capital redemption reserve.

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 (1992 – 165,972,120).

20. Capital and other commitments

At 30 June 1993, neither the company nor the group had any capital commitments (1992 – 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.

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) refinancing 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 1993 will be resolved without a material effect on the consolidated net asset position shown in these financial statements.

Company

The company had outstanding at 30 June 1993, the following guarantees:

(i) Guarantees given in respect of the interest payments on bank borrowings of subsidiary undertakings amounting to £15,750,000 (1992 – £71,750,000). The bank loan of £15,750,000 was repaid subsequent to the year end and the guarantee was extinguished.

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

(iii) A joint and several guarantee, given together with the relevant 50% joint venture partner, over the principal amount of a bank loan advanced to an associated undertaking of £8,100,000 (1992 – £8,100,000).

(iv) A joint and several guarantee, given together with the relevant 50% joint venture partner, in respect of a bank loan of £81,900,000 advanced to an associated undertaking. The guarantee 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, is £38,150,000.

(v) A several guarantee over 50% of the interest payments on the borrowings of £90,000,000 (1992 – £90,000,000) referred to in (iii) and (iv) above.

(vi) A several guarantee over 50% of the interest payments on borrowings of £5,850,000 (1992 – £5,850,000) incurred by an associated undertaking.

The company has given 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 1994 are approved by their directors. In many cases, the principal liability of those subsidiary undertakings is to the company. Accordingly, the directors of the company do not expect that the company will incur significant expense in respect of these assurances other than the funding of group administrative expenditure borne by certain subsidiary undertakings.

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 1993.

	Notes	1993 £000	1992 £000
Balance sheet			
Tangible fixed assets:			
Properties	(i)	903,388	1,074,981
Other		729	733
		904,117	1,075,714
Current assets:			
Investment property	(i)	170,117	280,000
Development work-in-progress		3,000	5,000
Debtors and deferred costs		29,719	25,098
Cash at bank and in hand	(ii)	63,181	76,521
		266,017	386,619
Creditors: amounts falling due within one year	(iii)	(207,938)	(370,999)
Net current assets		58,079	15,620
Total assets less current liabilities		962,196	1,091,334
Creditors: amounts falling due after more than one year	(iii)	(923,479)	(981,140)
Provisions for liabilities and charges	(iii)	—	(6,975)
		38,717	103,219
Capital and reserves:			
Called up share capital		101,012	101,012
Revaluation reserve	(iv)	154,649	185,204
Profit and loss account		(216,944)	(182,997)
		38,717	103,219
Profit and loss account			
Gross profit:			
Property investment		75,174	81,916
Property development and other trading activities		(1,891)	(6,138)
		73,283	75,778
Share of loss of associated undertaking		—	(10,956)
Administrative and other expenses		(5,998)	(5,037)
Exceptional non-operating items:			
– Provisions for write down of development properties held for investment	(v)	(51,539)	(147,515)
– Loss on disposal of investment properties		(1,867)	(5,597)
– Waiver of loans due to shareholders		—	46,736
Interest receivable		4,489	7,018
Interest payable	(vi)	(90,891)	(108,229)
Loss for the year		(72,523)	(147,802)

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 1992	1,178,940	176,041	1,354,981
Additions	(3,694)	45,736	42,042
Amounts written off (note v)	—	(51,539)	(51,539)
Revaluations	8,021	—	8,021
Disposals	(280,000)	—	(280,000)
At 30 June 1993	903,267	170,238	1,073,505

	1993 £000	1992 £000
Reported in the balance sheet as:		
Fixed assets	903,388	1,074,981
Current assets	170,117	280,000
	1,073,505	1,354,981

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 1993 comprise Phases 1, 2, 4, 6, 8 and 11 of Broadgate and a number of other small properties in the Broadgate area, providing approximately 1.8 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 1993 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.

As a result of the disposal of 175 Bishopsgate (Broadgate Phase 8) subsequent to the date of the balance sheet (see note (vii)), this property has been stated at its realised value and reported under current assets. Broadgate Phases 3 and 9/10 were classified similarly at 30 June 1992 by reason of their sale before the approval of the financial statements for the year ended 30 June 1992.

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 not substantially let) and the four Ludgate buildings, providing approximately 550,000 sq ft net of offices and ancillary uses, which were completed during the year but were not substantially let at 30 June 1993.

During the year, provisions have been made against the carrying values of these properties totalling £51,539,000 of which the amounts attributable to the Ludgate and Broadgate properties are £40,600,000 and £10,939,000, respectively.

Other information

In the event of a disposal of the investment properties at the values shown above, it is estimated that the BP group's liability to taxation at current rates would amount to approximately £26,000,000 (1992 - £15,000,000) 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.

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

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

Cash at bank and in hand includes deposits totalling £47,017,000 (1992 – £42,095,000) the use of which is restricted to payments to BR in respect of their entitlements relating to Broadgate and payments to external funders and certain other third parties.

(iii) BP group – creditors

	Due within one year		Due after one year	
	1993	1992	1993	1992
	£000	£000	£000	£000
Bank loans secured on properties	129,565	263,445	701,255	783,140
Loans from shareholders	—	—	109,740	100,000
Other loan secured on property	—	—	98,000	98,000
Trade creditors	1,557	8,560	—	—
Accruals, deferred income and taxes	76,816	98,994	7,046	—
Promissory note	—	—	7,438	—
	207,938	370,999	923,479	981,140

Subsequent to the date of the balance sheet, the BP group disposed of its interest in 175 Bishopsgate (Broadgate Phase 8) and a bank loan of £129,565,000, secured on the property, was repaid in full. Accordingly, this amount, which would otherwise have matured in September 1997, is reported as falling due within one year. Loans totalling £263,445,000 at 30 June 1992 were classified similarly, by reason of the sale of the relevant secured properties after that date.

On 23 November 1992, the BP group entered into an agreement ("the Agreement") with its bankers for the modification and extension of existing banking facilities then totalling £949,000,000, which facilities are reduced upon the disposal or refinancing of any relevant property. The bank loans shown above at 30 June 1993 are drawn against the balance of these facilities, totalling £873,500,000, 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), and are secured upon the assets of the relevant subsidiary undertakings.

All BP group companies which are party to the Agreement have entered into a debenture agreement, under which they have guaranteed the payment of the liabilities referred to above. Interest on the facilities is charged at a rate linked to LIBOR. 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 any surpluses arising. The extent of this participation will range between 25% and 50% of the value achieved over bank debt.

Under the terms of the above-mentioned debenture agreement, loans from shareholders bear interest at a commercial rate, are secured and are subordinated to the claims of the BP group's bankers.

The other loan secured on property, shown above, represents an amount raised in respect of 135 Bishopsgate (Broadgate Phase 6) through a credit enhanced US$ commercial paper programme. The programme expires in December 1997.

During the year, the BP group disposed of its interest in its associated undertaking, Appold Street Development Limited ("ASD") for £1. In addition, BP issued an interest bearing promissory note in the sum of £6,975,000 to a trustee on behalf of the purchaser in return for which BP's several guarantee in respect of the bank loan of ASD was released. The amount due under the promissory note at 30 June 1993, including accrued interest, amounted to £7,438,000. The principal amount of the note was included within provisions for liabilities and charges in the balance sheet at 30 June 1992.

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

(iv) BP group – revaluation reserve

	£000
At 1 July 1992	185,204
Surpluses arising on revaluation of investment properties	22,951
Deficits arising on revaluation of investment properties	(14,930)
Transfers to revenue reserves on disposal of properties	(38,576)
At 30 June 1993	154,649

(v) BP group – exceptional non-operating items

The provisions for write down of development properties held for investment are computed by comparing the estimated values of the properties once substantially let with the total estimated costs, including interest, to be incurred in completing the properties.

(vi) BP group – interest payable and similar charges

	1993 £000	1992 £000
On bank loans, overdrafts and other loans repayable within five years not by instalments:		
Bank loans	87,874	122,665
Loans from shareholders	9,740	—
Other loan	11,381	6,047
	108,995	128,712
Other interest payable	2,141	1,810
Refinancing costs and related charges	1,616	3,500
Amortisation of financing costs	2,750	1,197
	115,502	135,219
Amounts capitalised to development properties	(24,611)	(26,990)
	90,891	108,229

(vii) BP group – events after the balance sheet date.

In October 1993, the BP group disposed of its long leasehold interest in 175 Bishopsgate (Broadgate Phase 8) to Deutsche Grundbesitz-Investmentgesellschaft mbH for a cash consideration of £170,117,000. The BP group has recognised deferred income and retained other assets relating to the property having a total additional value of approximately £9,000,000 and has guaranteed a minimum rental income from the retail units which form part of the property. The proceeds from the disposal will be used for working capital, to repay the relevant secured bank loan of £134,000,000 (including the cost of unwinding a related interest rate swap) and to reduce other bank borrowings.

Additional information in respect of the BP group

BR are entitled to capital payments and/or shares of the rent receivable in respect of the buildings at Broadgate and Ludgate. The amounts payable or attributable to BR depend upon a number of factors, including the amount of development costs, rental values and the dates on which BR exercises its rights to the relevant entitlements. The final amounts payable and the rent sharing percentages are all subject to final agreement with BR. However, the directors of BP believe that they have made prudent provision for these amounts and the valuation of the BP group's completed investment properties have been prepared using information consistent with that used for provision purposes.

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 audited consolidated financial statements for the year ended 30 June 1993.

Balance sheet	Notes	1993 £000	1992 £000
Tangible fixed assets:			
Completed investment properties	(i)	66,500	81,500
Other		163	131
		66,663	81,631
Current assets:			
Stocks and work-in-progress	(ii)	225,037	220,146
Debtors		4,630	14,635
Short term investment		—	730
Cash at bank	(iii)	10,381	11,593
		240,048	247,104
Creditors: amounts falling due within one year	(iv)	(20,306)	(25,118)
Net current assets		219,742	221,986
Total assets less current liabilities		286,405	303,617
Creditors: amounts falling due after more than one year	(iv)	(300,373)	(289,130)
		(13,968)	14,487
Capital and reserves:			
Called up share capital		44,007	44,007
Profit and loss account		(72,833)	(46,755)
Minority interests		14,858	17,235
		(13,968)	14,487
Profit and loss account			
Gross profit/(loss):			
– ordinary trading		17,530	16,044
– exceptional operating items	(v)	(3,263)	(18,353)
		14,267	(2,309)
Administrative expenses		(2,053)	(1,464)
Revaluation deficit on investment properties		(15,000)	(38,500)
Net interest payable		(27,170)	(30,678)
Interest capitalised		1,501	4,441
Loss before taxation		(28,455)	(68,510)
Taxation		—	4,484
Minority interests		2,377	11,351
Loss for the year		(26,078)	(52,675)

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

(i) SKP group – completed long leasehold investment properties

Cost or valuation:	£000
At 1 July 1992	81,500
Deficit on revaluation	(15,000)
At 30 June 1993	66,500

The investment properties were revalued on an open market basis at 30 June 1993 by Chesterton, International Property Consultants.

	1993 £000	1992 £000
(ii) SKP group – stocks and work-in-progress		
Development work-in-progress and raw materials	85,547	77,254
Completed properties for resale	139,490	142,892
	225,037	220,146

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 £51,004,000 (1992 – £49,503,000).

(iii) SKP group-cash at bank

At 30 June 1992, cash at bank included £6,600,000 held in an escrow account, which was released to the SKP group during the year, after the fulfilment of its relevant obligations. At 30 June 1993, cash at bank included £1,508,000 received in respect of property dilapidations. The deposit may only be used towards funding the refurbishment of the property.

(iv) SKP group – creditors

	Due within one year		Due after one year	
	1993 £000	1992 £000	1993 £000	1992 £000
Bank loans – secured	4,250	—	90,000	96,225
Loans from shareholders – secured	—	—	99,240	44,395
Loans from shareholders – unsecured	—	—	46,700	88,900
Other loans – secured	—	—	48,026	—
Other loans – unsecured	—	—	16,407	59,610
	4,250	—	300,373	289,130
Bank overdrafts – secured	1,398	2,440	—	—
Bank overdrafts – unsecured	151	—	—	—
Trade and other creditors	2,555	1,959	—	—
Accruals and deferred income	11,952	20,719	—	—
	20,306	25,118	300,373	289,130

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 £46,700,000 and £16,407,000 (1992 – £38,900,000 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.

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

(iv) SKP group - creditors (continued)

In October 1993:

(a)Loans amounting to £99,240,000 at 30 June 1993 from one of SKP's shareholders, Kajima Europe BV ("KEBV"), were due to be repaid on 30 June 1994. KEBV have undertaken not to call for repayment of the loans until 30 December 1994.

(b)Arrangements have been agreed to also extend the repayment date of a loan of £48,026,000 until 30 December 1994.

In the light of the arrangements referred to above and the existence of an undrawn seven year facility advanced by KEBV in July 1992, the directors of SKP have concluded that the SKP group will have sufficient funds to meet its liabilities as they fall due until at least December 1994. In addition, the directors of SKP recognise that steps will need to be taken to remedy the deficiency of net assets of the SKP group and to procure a more stable funding structure for the future. Consideration is being given to these matters and the directors of SKP are confident that the continued support of SKP's shareholders and other lenders to the SKP group will enable them to put in place arrangements which will secure the above objectives.

	1993 £000	1992 £000
(v) SKP group - exceptional operating items		
Provision against stocks and work-in-progress	2,393	16,757
Costs of rental guarantee commitment	870	6,439
Net income from a profit sharing agreement on a development property	—	(4,843)
	3,263	18,353

(vi) SKP events after the balance sheet date

Arrangements entered into in October 1993 to extend the repayment dates of certain loans advanced to the SKP group are described in note (iv) above. Also after the end of the financial year, the SKP group sold its interests in two buildings at Stockley Park for a total consideration of some £70,000,000. After retaining an amount for future infrastructure works at Stockley Park, the proceeds were used to repay debt.

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

The summarised statements of net liabilities set out below have been drawn from the relevant financial statements/management accounts of the associated undertakings (as also detailed below), amended in certain cases to reflect prudent provision made by the directors of Stanhope Properties PLC against the book values of property/project expenditure

LRC group – draft, unaudited consolidated financial statements for the year ended 30 June 1993.

STC group – management accounts for the twelve months to 30 June 1993. The STC group has an accounting reference date of 30 September.

SCL group – audited financial statements for the year ended 30 June 1993.

	LRC group 1993 £000	STC group 1993 £000	SCL group 1993 £000
Fixed assets (note i)	—	—	—
Work-in-progress (note i)	—	45,909	5,670
Other assets	—	1,772	177
Due to shareholders	(34,799)	(103,664)	(5,673)
Bank loan (note iii)	—	—	(5,850)
Other liabilities	(1,192)	(311)	(251)
Net liabilities	(35,991)	(56,294)	(5,927)

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

LRC has been selected by BR and the other principal landowners to carry out a comprehensive mixed use development north of the King's Cross and St. Pancras railway stations in central London, which would be one of the largest urban regeneration projects in Europe. The future of the project is dependent upon the outcome of the current study by BR into the use of St. Pancras as an alternative terminal for the Channel Tunnel. In the event that the St. Pancras option is adopted by British Rail, LRC has been advised by Leading counsel that it has good prospects for recovering abortive costs incurred in promoting the Kings Cross scheme.

The STC group is undertaking an office business park development at Chiswick Park. Further work will be dependent upon obtaining pre-letting agreements for the proposed buildings.

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

(ii) LRC, STC and SCL groups – provisions

The financial statements of the LRC group and STC group for the years ended 30 June 1993 and 30 September 1993 respectively have not yet been finalised. In particular, the directors of those companies have not yet finalised their review of the recoverability of the property/project book values. The 1992 financial statements of the LRC and STC groups each contained a qualified report from their auditors in respect of uncertainties surrounding the value of fixed assets and work-in-progress, respectively.

(iii) The bank loan is secured on property and is repayable within two to five years.

STANHOPE PROPERTIES PLC

(Registered in England No. 1719789)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at Lansdowne House, Berkeley Square, London W1 on Monday 13 December 1993 at 10.00 a.m. for the following purposes:

1. to receive the directors' report and the audited financial statements for the year ended 30 June 1993;
2. to reappoint Messrs. Ernst & Young as auditors of the Company and to authorise the directors to fix their remuneration;
3. to reappoint John Botts as a director of the Company.

To consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTION

4. THAT the directors be and are hereby generally and unconditionally authorised (in substitution for any authority previously conferred upon them pursuant to Section 80 of the Companies Act 1985 (the "Act")) to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £13,506,970 provided that:

(a) such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution unless previously revoked, varied or renewed by the Company in general meeting; and

(b) the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired.

SPECIAL RESOLUTION

5. THAT the directors be and are hereby empowered (in substitution for any authority previously conferred upon them pursuant to Section 95 of the Act) to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to the authority conferred on them by Resolution 4 set out in the Notice of Meeting containing this Resolution as if Section 89(1) of the Act did not apply to such allotment, provided that:

(a) such power shall be limited to:

(i)the allotment of equity securities for cash where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares of 25p each in the capital of the Company on the register on a record date or dates in proportion (as nearly as may be) to their then holdings, but subject to such exclusions or other arrangements as the directors consider necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, or otherwise howsoever; and

(ii)the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities for cash up to an aggregate nominal amount of £2,074,651, representing 5 per cent. of the existing issued share capital of the Company;

(b) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution unless previously revoked, varied or renewed by the Company in general meeting; and

(c) the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired.

By Order of the Board,

Roy Dantzic, SECRETARY
15 November 1993
Registered Office: Lansdowne House, Berkeley Square, London WIX 6BP

Notes:

1. (i)A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(ii)To be effective, the white form of proxy, together with the power of attorney or other authority (if any) under which it is executed (or a notarially certified copy thereof), must be lodged at the address shown on the form of proxy not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. Completion and return of a form of proxy will not prevent a member from attending and voting in person if so desired.

2. Copies of all directors' service contracts of more than one year's duration will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the meeting and at Lansdowne House, Berkeley Square, London W1 for at least 15 minutes prior to and at the meeting.

3. The register of directors' interests kept by the Company under Section 325 of the Companies Act 1985 shall be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.