

**RICARDO PROPERTIES LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**YEAR ENDED 30 JUNE 1997**

**REGISTERED NUMBER 2032816**



## **RICARDO PROPERTIES LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and accounts for the year ended 30 June 1997.

### **BUSINESS REVIEW**

The principal activity of the Company consists of the management and the administration of freehold and leasehold properties for the Ricardo Group plc group of companies.

### **RESULTS AND DIVIDENDS**

The results for the year are shown on page 5 of the financial statements. An interim dividend of £100,000 was paid during the year. The Directors propose to pay a final dividend of £85,000. A transfer of £608,000 has been made from reserves.

### **DIRECTORS**

The Directors who served during the year were:

J A Heaman	
I Leigh	Resigned 6 February 1997
R J Westhead	Appointed 30 January 1997

No Director has any interests in the shares of the Company.

The interest of R J Westhead in the share capital of the ultimate holding company, Ricardo Group plc, is disclosed in the accounts of that company. The interest of J A Heaman in the share capital of the ultimate holding company is as follows:

	<u>30 June 1996</u>	<u>Lapsed / Exercised in the year</u>	<u>Purchased</u>	<u>30 June 1997</u>
Ordinary Shares of 25p each	6,691	-	10,549	17,240
Options over Shares of 25p each	55,272	(14,874)	-	40,398

The options granted to the above Director are exercisable at 160.7p, 119.9p, 106.2p, and 114p up to 2006.

A property was sold by the Company during the year for £800,000 to INBIS Group plc, a company in which I Leigh has an interest. This transaction was associated with the disposal by the ultimate parent company of its investments in Ricardo Aerospace Limited and Ricardo Hitec Limited, together known as the Design companies. There were no other contracts in which the Directors held any interests.

## **RICARDO PROPERTIES LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **SUBSEQUENT EVENTS**

On 12 December 1997 the property held for sale was sold for consideration of £435,000.

#### **AUDITORS**

Price Waterhouse have indicated their willingness to continue in office and, following the Company's resolution to dispense with annual general meetings, they are deemed to be re-appointed for each further succeeding financial year until further notice.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results for the year. In preparing the financial statements, suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in compliance with applicable accounting standards and with the Companies Act 1985. The Directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'J A Heaman', written in a cursive style.

J A HEAMAN  
Secretary

24 March 1998

**AUDITORS' REPORT**  
**TO THE MEMBERS OF**  
**RICARDO PROPERTIES LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 8.

**Respective responsibilities of the directors and auditors**

As described on page 3, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practice Board. An audit includes examination, on a test basis, of the evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or 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 at 30 June 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Price Waterhouse', is written over a large, faint circular stamp.

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors  
Bristol

24 March 1998

# **RICARDO PROPERTIES LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997**

	Note	1997 £'000	1996 £'000
<u>TURNOVER</u> - continuing operations	2	956	966
Operating charges		(288)	(582)
<u>OPERATING PROFIT</u>		<u>668</u>	<u>384</u>
Exceptional Items:	6		
Loss on disposal of fixed assets		(100)	-
Provision against carrying value of premises		(800)	-
<u>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</u>		<u>(232)</u>	<u>384</u>
Interest payable and similar charges		<u>(12)</u>	<u>(30)</u>
<u>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	4	<u>(244)</u>	<u>354</u>
Taxation	5	<u>(179)</u>	<u>(152)</u>
<u>(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</u>		<u>(423)</u>	<u>202</u>
Dividends paid and proposed		(185)	(891)
<u>LOSS TRANSFERRED FROM RESERVES</u>	14	<u>(608)</u>	<u>(689)</u>

Note 14 to the accounts details the movements on reserves for the financial year. The loss for the financial year includes all recognised gains and losses in the year.

The notes on pages 8 to 15 form part of these accounts.

## **RICARDO PROPERTIES LIMITED**

### **NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1997**

	1997 £'000	1996 £'000
Reported (loss) / profit on ordinary activities before taxation.	(244)	354
Realisation of property revaluation gains of previous years	150	51
Provision against carrying value of revalued premises	351	-
Historical cost profit on ordinary activities before taxation	<u>257</u>	<u>405</u>
Historical cost loss for the year after taxation and dividends	<u>(107)</u>	<u>(638)</u>

### **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 30 JUNE 1997.**

	1997 £'000	1996 £'000
(Loss) / profit for the financial year	(423)	202
Dividends	<u>(185)</u>	<u>(891)</u>
Deduction from shareholders' funds	(608)	(689)
Opening shareholders' funds	1,234	1,923
Closing shareholders' funds	<u>626</u>	<u>1,234</u>

**RICARDO PROPERTIES LIMITED**  
**BALANCE SHEET AS AT 30 JUNE 1997**

		1997		1996
	<u>Note</u>	£'000	£'000	£'000
<u>FIXED ASSETS</u>				
Tangible Fixed Assets	7	4,529		8,027
Investment Properties	8	3,061		-
			7,590	8,027
<u>CURRENT ASSETS</u>				
Properties for sale	9	469		1,642
Debtors	10	340		798
Cash at bank		276		-
		1,085		2,440
<u>CREDITORS</u>				
Amounts falling due within one year	11	(8,019)		(9,203)
<u>NET CURRENT LIABILITIES</u>				
			(6,934)	(6,763)
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>				
			656	1,264
Provision for liabilities and charges	12		(30)	(30)
<u>NET ASSETS</u>				
			626	1,234
<u>CAPITAL RESERVES</u>				
Called up share capital	13		500	500
Revaluation reserve	14		82	583
Profit and loss account	14		44	151
<u>SHAREHOLDERS' FUNDS</u>				
			626	1,234

The notes on pages 8 to 15 form part of these accounts.

These accounts were approved by the Board of Directors on 24 March 1998.



J A Heaman  
Director

# **RICARDO PROPERTIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997**

### **1. ACCOUNTING POLICIES**

The accounts have been prepared in accordance with applicable accounting standards. The particular accounting policies are described below.

#### **a) Accounting Convention**

Long leasehold and freehold land and buildings are stated at cost or estimated valuation. All other items are stated in the accounts under the historical cost accounting convention.

#### **b) Fixed Assets**

##### Tangible Fixed Assets

Depreciation is provided to write off the value (being cost less estimated residual value) of long leasehold property and freehold buildings and the cost of other tangible fixed assets over their estimated useful lives as follows:

Freehold buildings	-	over 50 years
Long leasehold property	-	over the term of the lease
Short leasehold property	-	over the term of the lease
Fixtures, fittings and equipment	-	between 3 and 10 years

##### Investment Properties

Investment properties are stated at the Directors' valuation and are not depreciated.

#### **c) Properties for sale**

Properties for sale are treated as current assets and are stated at their estimated realisable value.

#### **d) Deferred Taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is possible that liabilities will crystallise in the foreseeable future.

#### **e) Leases**

The cost of operating leases are dealt with by way of a charge to the profit and loss account as incurred.

## **RICARDO PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (continued)**

#### **2. TURNOVER**

Turnover represents the amount of rents and service charges receivable net of Value Added Tax. All turnover is derived in the United Kingdom.

	1997 £'000	1996 £'000
Turnover derived from external customers	274	115
Turnover derived from other Ricardo Group companies	682	851
	<hr/> 956	<hr/> 966

#### **3. STAFF COSTS**

Average number of persons employed during the year was 1 (1996 - 1)

	1997 £'000	1996 £'000
Staff costs charged to the profit and loss account are as follows:		
Wages & Salaries	34	42
Social Security Costs	3	5
Other Pension Costs	2	3
	<hr/> 39	<hr/> 50

#### **4. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	1997 £'000	1996 £'000
i) <u>This is shown after charging:</u>		
Auditors' remuneration	3	3
Fees in respect of other services provided by the auditors	11	16
Depreciation	33	37
Operating leases	120	141
Bank interest payable	12	30
ii) <u>Emoluments of directors:</u>		
Directors emoluments (including pension contributions)	36	45
Chairman and highest paid director (excluding pension contributions)	34	42

## **RICARDO PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (continued)**

#### **4. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)**

##### **ii) Emoluments of directors (continued):**

Directors' emoluments consist of a recharge from a fellow subsidiary and are based on the services provided in connection with the management of the Company.

The highest paid director exercised share options over 10,549 ordinary shares of 25p each in respect of the ultimate parent company, Ricardo Group plc, during the year (1996: Nil).

##### **iii) Operating leases**

Commitments exist for operating lease rentals payable during 1997/98 for leases of land and buildings which expire in future years as follows:

	1997 £'000	1996 £'000
Expiry:		
Within one year	2	33
Between one and five years	-	8
After five years	74	71
	<hr/> 76	<hr/> 112

#### **5. TAXATION**

	1997 £'000	1996 £'000
United Kingdom corporation tax		
Current at 33% (1996: 33%)	(179)	(160)
Deferred tax	-	30
Prior year adjustment:		
Corporation tax	<hr/> - (179)	<hr/> (22) (152)

# RICARDO PROPERTIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (continued)

### 6. EXCEPTIONAL ITEMS

	1997 £'000
Loss on sale of freehold property	100
Provision against carrying value of premises previously occupied by Design companies	800
	<hr/> 900

On 7 February 1997 the parent company, Ricardo Group plc, disposed of the Design companies which principally comprised Ricardo Aerospace Limited and Ricardo Hitec Limited.

### 7. TANGIBLE FIXED ASSETS

	Land & Buildings			Fixtures	Total
	Freehold	Long Leasehold	Short Leasehold	Fittings & Equipment	
	£'000	£'000	£'000	£'000	£'000
<u>COST OR VALUATION</u>					
At 1 July 1996	8,913	43	-	111	9,067
Reclassifications	(36)	5	28	3	-
Additions	78	-	-	10	88
Disposals	(962)	(15)	-	(10)	(987)
Transfer to Investment Properties	(2,689)	-	-	-	(2,689)
At 30 June 1997	<hr/> 5,304	<hr/> 33	<hr/> 28	<hr/> 114	<hr/> 5,479
<u>DEPRECIATION</u>					
At 1 July 1996	961	31	-	48	1,040
Reclassifications	(6)	(17)	19	4	-
Charge for year	18	1	3	11	33
Disposals	(70)	(15)	-	(2)	(87)
Transfer to Investment Properties	(36)	-	-	-	(36)
At 30 June 1997	<hr/> 867	<hr/> -	<hr/> 22	<hr/> 61	<hr/> 950
<u>NET BOOK AMOUNT</u>					
At 30 June 1997	<hr/> 4,437	<hr/> 33	<hr/> 6	<hr/> 53	<hr/> 4,529
<u>NET BOOK AMOUNT</u>					
At 30 June 1996	<hr/> 7,952	<hr/> 12	<hr/> -	<hr/> 63	<hr/> 8,027

# **RICARDO PROPERTIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (continued)**

### **7. TANGIBLE FIXED ASSETS (continued)**

The net book amount of freehold and long leasehold properties at 30 June 1997 comprises historical cost less accumulated depreciation.

### **8. INVESTMENT PROPERTIES**

	1997 £'000
Transfer from Tangible Fixed Assets (see note 7)	2,653
Provision against carrying value of premises (see note 6)	(800)
	<u>1,853</u>
Transfer from Properties for Sale (see note 9)	1,208
	<u>3,061</u>

The net book amount of the investment properties at 30 June 1997 is comprised as follows:

	£'000
Historical cost	3,890
Revaluation	82
Accumulated Depreciation	(87)
Provision for diminution in value	(824)
Carrying value	<u>3,061</u>

### **9. PROPERTIES FOR SALE**

	1997 £'000	1996 £'000
As at 1 July 1996	1,642	2,085
Additions	35	38
Disposals	-	(481)
Transfer to Investment Properties (see note 8)	(1,208)	-
	<u>469</u>	<u>1,642</u>

# **RICARDO PROPERTIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (continued)**

### **10. DEBTORS**

	1997 £'000	1996 £'000
Trade Debtors	134	195
Amounts owed by fellow subsidiary undertakings	157	272
Other taxes and social security	-	29
Other debtors	23	-
Prepayments and accrued income	26	302
	<u>340</u>	<u>798</u>

All of these amounts are due within one year of the balance sheet date.

### **11. CREDITORS - Amounts falling due within one year**

	1997 £'000	1996 £'000
Bank overdraft	-	275
Trade creditors	25	258
Amounts owed to parent undertaking	6,726	7,659
Amounts owed to fellow subsidiary undertakings	1	25
Other creditors	75	-
Corporation tax	927	749
Other taxes and social security	34	-
Accruals and deferred income	231	237
	<u>8,019</u>	<u>9,203</u>

# **RICARDO PROPERTIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (continued)**

### **12. PROVISION FOR LIABILITIES AND CHARGES**

	1997 £'000	1996 £'000
<u>Deferred Taxation</u>		
Balance at 1 July	30	60
Movement in year	-	(30)
	<u>30</u>	<u>30</u>

The amounts provided are in respect of:

Accelerated capital allowances on properties held for resale.	<u>30</u>	<u>30</u>
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No provision has been made for the following deferred taxation in respect of capital allowances in advance of depreciation or in respect of tax arising if the properties which are classified as investment properties were disposed of at their revalued amounts, as no liability is expected to crystallise in the foreseeable future. The deferred tax not provided is as follows:

	1997 £'000	1996 £'000
Accelerated capital allowances	1,467	1,520
Other short term timing differences	(26)	(30)
	<u>1,441</u>	<u>1,490</u>

### **13. SHARE CAPITAL**

	1997 £'000	1996 £'000
Ordinary shares of £1 each authorised, allotted and fully paid.	<u>500</u>	<u>500</u>

## **RICARDO PROPERTIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1997 (continued)**

#### **14. RESERVES**

	Revaluation Reserve	Profit and Loss Account
	£'000	£'000
Balance at 1 July 1996	583	151
Transfer on sale of revalued assets	(150)	150
Transfer on write down of revalued assets	(351)	351
Deficit for the year	-	(608)
Balance at 30 June 1997	<u>82</u>	<u>44</u>

#### **15. CONTINGENT LIABILITIES**

The Company has given an unlimited guarantee in respect of the bank overdrafts of other group companies which amounted to £7,487,286 at 30 June 1997 (1996 - £4,675,435).

#### **16. ULTIMATE HOLDING COMPANY**

Ricardo Group plc, which is registered in England, is the ultimate holding company as at 30 June 1997. Copies of the consolidated accounts of Ricardo Group plc which is the largest and smallest group for which group accounts are prepared and of which Ricardo Properties Limited is a member are available from: The Company Secretary, Ricardo Group plc, 1 Watling Drive, Sketchley Business Park, Hinckley, Leicestershire, LE10 3EY.

The Company has taken advantage of the exemption provided by Financial Reporting Standard 8 "Related Parties" and not disclosed related party transactions with other companies within the Ricardo Group.

A property was sold by the Company during the year for £800,000 to INBIS Group plc, a company in which a director, I Leigh, has an interest. This transaction was associated with the disposal by the ultimate parent company of its investments in Ricardo Aerospace Limited and Ricardo Hitec Limited, together known as the Design companies.