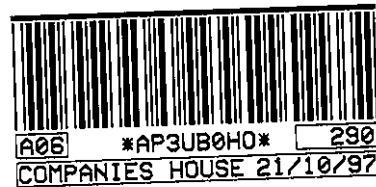


# Avatar Limited

Financial statements 31 December 1996  
together with directors' and auditors' reports

Registered number: 2035853



## Directors' report

For the year ended 31 December 1996

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### Principal activity

The principal activity of the Company is the business of urban renewal and regeneration within the United Kingdom.

### Review of business

The Company has completed the sale of its retail, leisure and car park development in central Birmingham. During 1996 part of the leasehold property was sold to a third party for £7,500,000 with the remainder of the development being sold in March 1997 for £1,380,000. The company is not looking for any more development opportunities.

### Dividends and transfers to reserves

The financial statements of the Company appear on pages 4 to 10.

The directors do not recommend the payment of a dividend (1995 - £nil).

The loss for the year after taxation of £44,059 (1995 profit - £115,099) has increased the accumulated deficit.

### Directors and their interests

The directors of the Company during the year were:

M.D. Bear	
M.E. Fitzgerald	(resigned 30 June 1997)
P.W. Goldsmith	(appointed 30 June 1997)
B.R.J. McCarthy	(resigned 25 March 1996)
J. McKie	(appointed 30 June 1997)

The interests of directors in the share and loan capital of BICC plc, the ultimate parent company, were:

	Options	
	1 January 1996*	31 December 1996
M.D. Bear	41,930	41,930
M.E.Fitzgerald	-	-

\*Adjusted for BICC plc's September 1996 Rights Issue.

In September 1996 BICC plc offered 64,497,272 new ordinary shares by way of rights to ordinary shareholders at 270p per share on the basis of 2 new ordinary shares for every 11 ordinary shares held. The number of shares under outstanding options under BICC plc's share option schemes and the related exercise prices were adjusted for this rights issue on terms approved by the Inland Revenue.

All interests at the dates shown are beneficial. All options are in respect of numbers of ordinary shares of BICC plc.

## Directors' report (continued)

During the year, there were no movements in the directors' rights to subscribe for shares in BICC plc.

The options were granted under share option schemes of BICC plc at subscription prices ranging from 311.9p to 438.1p and are normally exercisable at varying times up to the year 2005.

Other than as stated above, no director had any interest in the share and loan capital of the company or of any other subsidiary undertaking of BICC plc at the relevant dates.

### Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' report which follows, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 10, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enables them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### Payment of creditors

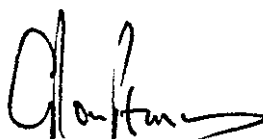
In the UK, the Company's policy is to settle the terms of payment with suppliers when agreeing the terms for each transaction or series of transactions; to seek to ensure that suppliers are aware of the terms of payment; and to abide by these terms of payment as and when satisfied that the supplier has provided the goods or services in accordance with the agreed terms.

### Auditors

In accordance with Section 386 of the Companies Act 1985, the Company has dispensed with the obligation to appoint auditors annually.

Third Floor  
Devonshire House  
Mayfair Place  
London  
W1X 5FH

By order of the Board



P1 Bical Nominees Ltd (Secretary)

15 October 1997

## • Auditors' report

To the Shareholders of Avatar Limited:

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

### **Respective responsibilities of directors and auditors**

As described in the directors' report on pages 1 and 2, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the Company's state of affairs at 31 December 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street  
London  
WC2R 2PS

15 October 1997

## Profit and loss account

For the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover		7,550,000	-
Cost of sales		(7,574,000)	-
Exceptional cost of sales	5	(120,000)	(700,000)
Gross loss		(144,000)	(700,000)
Other operating income		620,875	1,534,670
Other operating expenses		(415,014)	(711,100)
Operating profit		61,861	123,570
Interest receivable and similar income		5,783	1,981
Profit on ordinary activities before taxation	2	67,644	125,551
Tax on profit on ordinary activities	3	(111,703)	(10,452)
(Loss)/ Profit on ordinary activities after taxation		(44,059)	115,099
Accumulated deficit, brought forward		(14,008,714)	(14,123,813)
Accumulated deficit, carried forward		(14,052,773)	(14,008,714)

## Statement of total recognised gains and losses

For the year ended 31 December 1996

The company has no recognised gains or losses other than those included in the results above

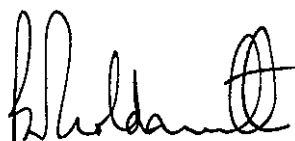
The accompanying notes are an integral part of these statements.

# Balance sheet

31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Investments	4	82	82
<b>Current assets</b>			
Development property held for resale	5	1,380,000	9,000,000
Debtors: Amounts falling due within one year	6	874,480	592,655
Debtors: Amounts falling due after more than one year	7	3,333,000	-
Cash at bank and in hand		28,863	201,454
		<u>5,616,343</u>	<u>9,794,109</u>
Creditors: Amounts falling due within one year	8	(362,415)	(614,122)
		<u>5,253,928</u>	<u>9,179,987</u>
<b>Net current assets</b>			
		<u>5,254,010</u>	<u>9,180,069</u>
<b>Total assets less current liabilities</b>			
Creditors: Amounts falling due after more than one year	9	(19,256,783)	(23,138,783)
		<u>(14,002,773)</u>	<u>(13,958,714)</u>
<b>Net liabilities</b>			
<b>Capital and reserves</b>			
Called-up share capital	10	50,000	50,000
Profit and loss account		(14,052,773)	(14,008,714)
		<u>(14,002,773)</u>	<u>(13,958,714)</u>
<b>Equity shareholders' funds</b>	11		

Signed on behalf of the Board



Director

15 October 1997

The accompanying notes are an integral part of this balance sheet.

## Notes to financial statements

### 1 Accounting policies

#### a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### b) *Development properties held for sale*

Development properties held for sale are valued at the lower of cost, including interest charges, and estimated realisable value.

#### c) *Investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value.

#### d) *Turnover*

Turnover is recognised in respect of developments, or units of a development, which are subject to a binding and substantially unconditional contract for sale.

#### e) *Basis of profit taking*

Profit is taken in respect of developments, or units of a development, which are subject to a binding and substantially unconditional contract for sale.

Full provision is made for all known or expected losses at completion immediately such losses are forecast on each development.

#### f) *Cash flow statement*

Under the provisions of Financial Reporting Standard No. 1 (Revised), the Company has not prepared a cash flow statement because its ultimate parent company, BICC plc, which is incorporated in England and Wales, has prepared consolidated financial statements which include the financial statements of the Company for the year and which contain a cash flow statement.

## Notes to financial statements (continued)

### 2 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after crediting:

	1996 £	1995 £
Rental income	605,630	1,513,041
Profit on sale of investment	-	19,998
	<hr/>	<hr/>

The average weekly number of persons employed by the company during the year was nil (1995 - nil).

The directors received no remuneration from the Company during the year (1995 - £nil).

The audit fees in 1996 and 1995 were borne by a fellow group company.

### 3 Tax on profit on ordinary activities

	1996 £	1995 £
Corporation tax at 33%	(9,000)	(2,703)
Adjustment in respect of prior years	120,703	13,155
	<hr/>	<hr/>
	111,703	10,452

### 4 Investments

The company holds 100% of the issued ordinary share capital of Profiledraw Limited (formerly Arcadian Centre Limited), an estate management company, which is registered in England and Wales with a share capital of £82.



## Notes to financial statements (continued)

### 5 Development property held for resale

	1996 £	1995 £
Movements during the year comprised:		
Balance brought forward	9,000,000	9,700,000
Sold during the year	(7,500,000)	-
Provision increase during the year	(120,000)	(700,000)
	<u>1,380,000</u>	<u>9,000,000</u>

In preparing these financial statements the directors have appraised the estimated net realisable value of the property at £1,380,000 (1995 - £9,000,000) based on the sale agreement that became unconditional during 1996. On this basis the directors have concluded that a further provision of £120,000 is required (1995 - £700,000) in these financial statements.

### 6 Debtors: Amounts falling due within one year

	1996 £	1995 £
Trade debtors	278,248	525,033
Amounts owed by group undertakings	586,590	27,707
Group relief recoverable	9,642	3,345
Other debtors	-	36,570
	<u>874,480</u>	<u>592,655</u>

### 7 Debtors: Amounts falling due after more than one year

	1996 £	1995 £
Trade debtors	<u>3,333,000</u>	<u>-</u>
	<u>3,333,000</u>	<u>-</u>

This amount is receivable no later than April 2001.

## Notes to financial statements (continued)

### 8 Creditors: Amounts falling due within one year

	1996 £	1995 £
Trade creditors	13,977	125,369
Other taxation and social security	33,407	83,184
Accruals and deferred income	315,031	405,569
	<u>362,415</u>	<u>614,122</u>

### 9 Creditors: Amounts falling due after more than one year

	1996 £	1995 £
Amount due to parent company	19,256,783	23,138,783
	<u>19,256,783</u>	<u>23,138,783</u>

Amounts due to parent company are unsecured, interest free and have no fixed repayment dates.

## Notes to financial statements (continued)

### 10 Share capital

	1996 £	1995 £
<i>Authorised</i>		
600,000 ordinary shares of 10p each	60,000	60,000
<i>Allotted, called-up and fully-paid</i>		
500,000 ordinary shares of 10p each	50,000	50,000

### 11 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
(Loss) / Profit for the financial year	(44,059)	115,099
Opening shareholders' funds	(13,958,714)	(14,073,813)
Closing shareholders' funds	(14,002,773)	(13,958,714)

### 12 Company financing

The liabilities of the company exceed its total assets. The Company's parent company, BICC Property Investments Limited, has agreed to provide or procure adequate financial resources to allow the Company to meet its obligations as they fall due for a period of not less than twelve months from the date of signing these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

### 13 Related party transactions

The financial statements of BICC plc, which indirectly owns at least 90 per cent of the voting share capital of the Company, are publicly available. Accordingly, no disclosure of related party transactions between the Company and BICC plc, or any related parties of BICC plc, are disclosed in these financial statements.

### 14 Ultimate parent company

The Company is a subsidiary undertaking of BICC Property Investments Limited, a company registered in England and Wales. The only group in which the results of Avatar Limited are consolidated is that headed by BICC plc, the ultimate parent company. The consolidated financial statements of this group are available to the public and may be obtained from BICC plc, Devonshire House, Mayfair Place, London W1X 5FH.