2252848

Chairman's Statement

Results

I am pleased to report that the group made a profit before taxation of £1,184,000, for the year ended 31 December 1997.

Turnover and gross profit rose substantially compared with 1996, attributable both to the improved trading of our subsidiaries and the sale of 3 The Square to Friends Provident Life Office, for £36 million, reflecting an initial yield of 6.75%.

An open market valuation of our investment property, 3 Furzeground Way, resulted in a revaluation surplus of £1.25 million.

Development

The continued success of our development programme has been further demonstrated by the pre-let of 2 The Square (29,981 sq ft) to Aspect Telecommunications and the subsequent pre-sale to General Accident. The sale price at a sub 6% initial yield is a clear indication of the high values ascribed by British institutions to our development. The building was completed to a fully fitted specification in eight months, demonstrating the ability of our team to deliver quality products to the market quickly. The sale will be recognised in our 1998 financial statements.

Construction of our next speculative building, 4 The Square (81,000 sq ft), commenced in December 1997 with delivery scheduled for September 1998. This building continues the style of the previous two buildings, offering a mixed mode environment that can either be fully air-conditioned or naturally ventilated.

I am pleased to report that we have agreed Heads of Terms for the freehold disposal of 6 The Square to Mercury Asset Management, who are acquiring the building on behalf of HQ Business Centres for delivery in August 1999. It is a particularly exciting venture, with the design by Arup Associates for the bespoke building being developed jointly with MAM, HQ and the company.

The design of the final building (73,000 sq ft) on Phase II is underway, and I anticipate that a detailed planning consent will be granted by September 1998, with delivery in July 1999.

As was widely reported in the press, we have agreed Heads of Terms with SmithKline Beecham (SB) for the acquisition of four buildings totalling 460,000 sq ft (net) on a leasehold basis, on Phase III of our development. SB require delivery by mid-2000 to match their staffing requirements. This letting is subject to the company securing an additional 293,000 sq ft of planning consent. Negotiations are in hand with the London Borough of Hillingdon, and we anticipate that final approval will be granted in autumn this year. We are currently finalising the master plan and building specifications to enable a formal contract between SB and the company to be completed.

Operations

The Arena Health & Leisure Club continues to be a success, both with employees on the Park and the local community. I am particularly pleased to report that our subsidiary received the Investors in People award in November 1997, a credit to the management and staff involved.

Millbrook, our project and facilities management company, has been successful both with customer retention and in securing new contracts. We have secured contracts with both Cisco Systems and Aspect Telecommunications, following the successful leasing of buildings to them in 1996 and 1997 respectively. For Aspect Telecommunications we manage a wide range of services including their car fleet and mobile telephones over and above the traditional building management.

Local Community

As reported last year, we continue to be a key sponsor for a new public transport hub to be located at Stockley. Following further feasibility work, and in consultation with our partners, the preferred location for the hub is Hayes, where there is potential for interconnecting with a new Heathrow Express service linking Heathrow Airport to St Pancras. The company has committed £2.3m toward the development of the new Hayes transport hub, which could be operational as early as 2001.

In June 1997, Glenda Jackson, MP, Minister for Transport for London, launched our consultation document for the delivery of a co-ordinated Travel Plan. Following consultation with our occupiers and a detailed employee survey, the Plan was launched in March 1998. The objective is to reduce commuting by car to Stockley Park by 20% over five years. We consider this achievable by improving the quality of public transport and introducing measures which facilitate car sharing, cycling and walking to work.

To encourage and inform employees, we have developed a community web site, the first development in the UK to provide such a facility. In addition to acting as an exchange to promote car sharing, for example, it will publicise and promote further public transport initiatives and facilitate on-line shopping with a major supermarket chain.

During the year, we have provided £2m to the London Borough of Hillingdon in support of projects, particularly within the Hayes West Drayton regeneration corridor.

Management Staff

Once again, I wish to thank our management and staff, who have made a significant contribution to a successful year, for their dedication and hard work.

Michael Broke
15 April 1998

Directors and Professional Advisers

Michael H A Broke – Non Executive Chairman

Michael Broke, 62, was appointed a Non Executive Director in October 1988 and Chairman in October 1993. He is a Director of Chelsfield Plc and a member of the Property Advisory Committee for Pearson Group Pension Funds. Mr Broke has been a director of a number of public companies and was Chief Executive of Stockley Plc from 1984 until it was taken over in 1987.

Andrew D Vander Meersch – Chief Executive

Andrew Vander Meersch, 51, was appointed Chief Executive in April 1991. He was formerly a Project Director with Stanhope Properties PLC (1990-1995) with specific responsibilities for the Stockley Park and Chiswick Park projects. Prior to Stanhope, Andrew was a senior executive with Tate & Lyle Plc responsible for major capital works both in the UK and overseas.

Fujio Suzuki – Non Executive Director

Fujio Suzuki, 50, was appointed a Non Executive Director in February 1997. He is also Executive Vice President of Kajima Europe B.V., responsible for property development projects in the UK and throughout Europe.

Nicholas H C Thompson – Non Executive Director

Nick Thompson, 49, was appointed a Non Executive Director in October 1988. He is the Managing Director, Head of Property Fund Management for Prudential Portfolio Managers Ltd. He is also a Fellow of the Royal Institution of Chartered Surveyors, a member of the Company of Chartered Surveyors, a member of the Investment Property Forum and on the Property Panel of the Association of British Insurers.

David Phillips – Non Executive Director

David Phillips, 38, began his career at Rugby Securities Limited, the property investment and trading arm of Hillsdown Holdings plc, where he was appointed a director in 1985. In 1987 David was appointed a main board director of Chelsfield plc with specific responsibility for acquisitions, disposals and developments in London and New York.

Taizo Yamamoto – Non Executive Director

Taizo Yamamoto, 42, was appointed as Director in September 1996. He was appointed as Director of Kajima UK Development Ltd in 1994, responsible for property development projects in the United Kingdom.

Alternate Directors:

John Wythe to Nicholas Thompson

Nigel Hugill to David Phillips

Company Secretary:

Caroline A Rouse

Company Advisers

Auditors:
Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Principal Bankers:
Lloyds Bank Plc
72 Lombard Street
London EC3 3BT

The Bank of Tokyo–Mitsubishi, Limited
12-15 Finsbury Circus
London EC2M 7BT

The Sakura Bank, Limited
Ground & First Floor
6 Broadgate
London EC2M 2RQ

Solicitors:
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

McKenna & Co
Mitre House
160 Aldersgate Street
London EC1A 4DD

Valuers:
Chesterton plc
30-34 Moorgate
London EC2R 6DN

Registered & Head Office
3 Furzeground Way
Stockley Park
Uxbridge UB11 1BY
Registered No. 2252848

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal Activity

The principal activity of the company is that of property development. The company's subsidiary and associated undertakings operate sporting and leisure facilities and provide estate and facilities management services at Stockley Park Heathrow. The Chairman's statement should be read in conjunction with this report.

Results and Dividends

The results for the year are set out in the attached financial statements. The directors do not recommend the payment of a dividend.

Directors and their Interests

The current directors of the company are listed on page 2.

There have been no changes in directorships since the date of the last accounts.

No director was beneficially interested in the share capital of the company or any other group company at any time during the year.

Directors' and Officers' Liability

Directors' and officers' liability insurance has been purchased by the company during the year.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors

and signed on behalf of the Board.

C A Rouse
Secretary

15 April 1998

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 the group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

To the Members of Stockley Park Consortium Limited

We have audited the financial statements on pages 5 to 19 which have been prepared under the accounting policies set out on page 9.

Respective Responsibilities of Directors and Auditors

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

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Deloitte & Touche, Hill House, 1 Little New Street, London EC4A 3TR
15 April 1998

Consolidated Profit and Loss Account
Year ended 31 December 1997

	Note	£'000	1997 £'000	£'000	1996 £'000
Turnover	2		43,207		6,167
Cost of sales:					
– ordinary trading		(36,352)		(2,249)	
– exceptional items	3	–		221	
Total cost of sales			(36,352)		(2,028)
Gross Profit			6,855		4,139
Administrative expenses			(4,174)		(2,971)
Share of results of associated undertaking			37		–
Disposal of interests in associated undertaking	7		–		212
Operating Profit	4		2,718		1,380
Interest receivable and similar income			224		416
Interest payable and similar charges	8		(1,758)		(1,371)
Profit on Ordinary Activities before Taxation	2		1,184		425
Tax on profit on ordinary activities	9		–		–
Retained Profit for the Financial Year	21		1,184		425

The results for the year derive solely from continuing operations.

The group had no other recognised gains or losses during the current or prior year.

Consolidated Balance Sheet
31 December 1997

	Note	£'000	1997 £'000	£'000	1996 £'000
Net Assets Employed:					
Fixed Assets					
Tangible assets	10		5,125		5,576
Investment properties	11		24,750		23,500
Investments	12		1		1
			29,876		29,077
Current Assets					
Stocks and work-in-progress	13		85,725		107,021
Debtors	14		1,099		2,052
Cash at bank and in hand	15		2,949		7,075
			89,773		116,148
Creditors: amounts falling due within one year	16		(4,048)		(3,414)
Net Current Assets			85,725		112,734
Total Assets less Current Liabilities			115,601		141,811
Creditors: amounts falling due after more than one year	17				
Shareholder mezzanine loans		26,147		48,778	
Bank loans		5,794		11,807	
		31,941		60,585	
			(31,941)		(60,585)
Total Net Assets Employed			83,660		81,226
Financed by:					
Shareholder subordinated loans		39,378	39,378	39,378	39,378
	17	71,319		99,963	
Capital and Reserves					
Called up share capital	20		58,005		58,005
Revaluation reserve			1,250		–
Profit and loss account	21		(14,973)		(16,157)
Shareholders' Funds			44,282		41,848
Total Shareholders' Financing			83,660		81,226
Shareholders' funds:					
Equity			(13,711)		(16,145)
Non-equity	20		57,993		57,993

These financial statements were approved by the Board of Directors on 15 April 1998.

Signed on behalf of the Board of Directors

Director

Balance Sheet
31 December 1997

	Note	£'000	1997 £'000	£'000	1996 £'000
Net Assets Employed:					
Fixed Assets					
Tangible assets	10		74		164
Investment properties	11		–		–
Investments	12		400		400
			474		564
Current Assets					
Stocks and work-in-progress	13		85,703		106,996
Debtors	14		27,962		29,946
Cash at bank and in hand	15		2,696		6,729
			116,361		143,671
Creditors: amounts falling due within one year	16		(2,839)		(1,994)
Net Current Assets			113,522		141,677
Total Assets less Current Liabilities			113,996		142,241
Creditors: amounts falling due after more than one year	17				
Shareholder mezzanine loans		26,147		48,778	
Bank loans		5,794		11,807	
		31,941		60,585	
			(31,941)		(60,585)
Total Net Assets Employed			82,055		81,656
Financed by:					
Shareholder subordinated loans		39,378	39,378	39,378	39,378
	17	71,319		99,963	
Capital and Reserves					
Called up share capital	20		58,005		58,005
Profit and loss account	21		(15,328)		(15,727)
Shareholders' Funds			42,677		42,278
Total Shareholders' Financing			82,055		81,656
Shareholders' funds:					
Equity			(15,316)		(15,715)
Non-equity	20		57,993		57,993

These financial statements were approved by the Board of Directors on 15 April 1998.

Signed on behalf of the Board of Directors

Director

Consolidated Cash Flow Statement
Year ended 31 December 1997

	Note	1997 £'000	1996 £'000
Net Cash Inflow/(Outflow) from Operating Activities	5	27,873	(12,070)
Returns on Investments and Servicing of Finance			
Interest received		224	417
Interest paid		(287)	–
Net Cash (Outflow)/Inflow from Returns on Investments and Servicing of Finance		(63)	417
Taxation			
Redemption		–	5
Net Cash Inflow from Taxation		–	5
Capital Expenditure and Financial Investment			
Receipts from associated undertaking		–	234
Purchase of tangible fixed assets		(43)	(193)
Sale of tangible fixed assets		–	15
Net Cash (Outflow)/Inflow for Capital Expenditure and Financial Investment		(43)	56
Net Cash Inflow/(Outflow) before Use of Liquid Resources		27,767	(11,592)
Financing			
Repayment of mezzanine loans		(25,501)	–
(Repayment)/drawdown of bank loans		(5,727)	9,914
Net Cash (Outflow)/Inflow from Financing	18	(31,228)	9,914
Decrease in Cash	15, 18	(3,461)	(1,678)

Notes to the Financial Statements
Year ended 31 December 1997

1. **Accounting policies**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, as amended for the statement of investment properties at valuation.

Basis of consideration

The financial statements of the group include those of the company and its subsidiary undertakings and the group's share of results of its associated undertaking for the year ended 31 December 1997. Details of the subsidiary and associated undertakings are shown in note 12 to the accounts.

The parent company has not presented its own profit and loss account as permitted by Section 230(3) of the Companies Act 1985. The parent company's profit for the financial year amounted to £399,000 (1996 – £37,000).

Fixed assets and depreciation

Fixed assets are stated at cost less depreciation which is provided to write off the cost of the assets over their estimated economic lives at 25% per annum on a straight-line basis, except for land and buildings which are depreciated over 20 years on a straight line basis.

Investment properties

Completed properties held for their long term investment potential are valued at open market value. Any surplus or deficit arising from revaluation is transferred to a revaluation reserve except that permanent diminutions in value are taken to the profit and loss account. In accordance with Statement of Standard Accounting Practice 19, depreciation is not provided in respect of investment properties. This constitutes a departure from the Companies Act requirement that fixed assets be depreciated over their useful economic lives and is considered necessary for the financial statements to give a true and fair view.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for any permanent diminution in value. In the consolidated accounts, shares in associated undertakings are accounted for using the equity method of accounting.

Stocks and work-in-progress

Stocks and work-in-progress include all costs incurred in bringing property developments to their present state and are stated at the lower of cost and net realisable value. Costs include interest charges on borrowings and other net outgoings which are directly related to a specific development project. Profit is recognised on the disposal of each building on the legal completion of contracts or in the case of short term development contracts where there is a contract for sale on practical completion of the building.

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.

Turnover

Turnover comprises sales to external customers of properties, rental income from completed buildings not yet sold, management fees and income from leisure facilities, all stated net of value added tax.

Notes to the Financial Statements
Year ended 31 December 1997

2. **Segmental information**

Turnover is stated net of value added tax. Turnover and profit before taxation are wholly derived from business carried out in the United Kingdom. Turnover by destination is not materially different from turnover by source.

The turnover, all of which is derived from external customers, and profit before taxation attributed to each business are as follows:

		Turnover 1997 £'000	Profit 1997 £'000	Turnover 1996 £'000	Profit 1996 £'000
Property investment	– rental income	1,911	76	37	37
Property trading	– property sales	36,170	380	466	62
	– rental income	104	104	2,313	(164)
Estates and facilities management		690	105	336	110
Sports and leisure facilities		4,332	519	3,015	380
		43,207	1,184	6,167	425

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

	31 December 1997 £'000	31 December 1996 £'000
Property investment	1,542	38
Property trading	42,109	41,975
Estates and facilities management	65	40
Sports and leisure facilities	566	(205)
	44,282	41,848

3. **Exceptional cost of sales**

	1997 £'000	1996 £'000
Net release of provisions against stocks and work-in-progress	–	221

The release of provisions against stock and work-in-progress in the prior year was made to increase the carrying value of those assets to their estimated net realisable values, reflecting market conditions at that time.

The directors have considered current market conditions and are of the opinion that no further provisions or release of provisions are required in the current year.

Notes to the Financial Statements
Year ended 31 December 1997

4. Operating profit

	1997 £'000	1996 £'000
This is stated after charging/(crediting):		
Auditors' remuneration for audit services	23	19
Depreciation of fixed assets	494	494
Profit on sale of fixed assets	–	(4)

5. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1997 £'000	1996 £'000
Operating profit	2,718	1,380
Depreciation charge	494	494
Profit on sale of fixed assets	–	(4)
Share of results in associated undertaking	(37)	–
Decrease/(increase) in debtors	953	(1,033)
Decrease/(increase) in stocks and work-in-progress	22,409	(11,729)
Increase/(decrease) in creditors	681	(1,240)
Decrease in blocked accounts	655	62
Net cash inflow/(outflow) from operating activities	27,873	(12,070)

6. Information regarding directors and employees

	1997 £'000	1996 £'000
Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	268	248
Highest paid director's remuneration		
Aggregate of emoluments and awards under long-term incentive schemes (excluding pension contributions, share options gains and awards in the form of shares)	143	129

Pension contributions under a money purchase scheme of the highest paid director amounted to £29,000 for the year.

No other director received any remuneration during the current or prior year.

None of the directors received awards under long-term incentive schemes, exercised share options or were members of a defined benefit pension scheme during the year.

Notes to the Financial Statements
Year ended 31 December 1997

6. **Information regarding directors and employees (cont'd)**

	1997 £'000	1996 £'000
Staff costs excluding directors incurred in the year were:		
Salaries	1,487	1,328
Social security costs	178	136
Other pension costs	46	27
	1,711	1,491

	No.	No.
Average number of employees during the year:		
Management and administration	10	9
Estates and facilities management	13	10
Sports and leisure facilities	67	63
	90	82

7. **Partial disposal of interests in associated undertakings**

	1997 £'000	1996 £'000
Consideration received	–	150
Group's share of net liabilities disposed of	–	62
	–	212

The disposal in 1996 relates to the sale of 25% of Stockley Park Golf Limited.

8. **Interest payable and similar charges**

	1997 £'000	1996 £'000
Bank loans and overdrafts repayable within five years	291	375
Shareholders' loans wholly repayable within five years	2,870	3,799
	3,161	4,174
Capitalised in stocks and work-in-progress	(1,403)	(2,803)
	1,758	1,371

Since 1 July 1991, interest payable on the subordinated loans shown in note 17 to the accounts has been waived by the shareholders.

Notes to the Financial Statements
Year ended 31 December 1997

9. **Tax on profit on ordinary activities**

There is no charge to corporation tax in the year (1996 – £nil) due to the availability of tax losses in the current and previous years.

10. **Tangible fixed assets**

Group	Land and buildings £'000	Motor vehicles £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 January 1997	5,400	107	185	859	6,551
Additions	–	–	12	31	43
At 31 December 1997	5,400	107	197	890	6,594
Depreciation					
At 1 January 1997	270	60	109	536	975
Charge for the year	270	20	40	164	494
At 31 December 1997	540	80	149	700	1,469
Net book value					
At 31 December 1997	4,860	27	48	190	5,125
At 31 December 1996	5,130	47	76	323	5,576

10. Tangible fixed assets (cont'd)

	Motor vehicles £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Total £'000
Company				
Cost				
At 1 January 1997	93	141	158	392
Additions	–	–	–	–
At 31 December 1997	93	141	158	392
Depreciation				
At 1 January 1997	51	79	98	228
Charge for the year	18	39	33	90
At 31 December 1997	69	118	131	318
Net book value				
At 31 December 1997	24	23	27	74
At 31 December 1996	42	62	60	164

11. Investment properties

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Freehold properties – open market value	24,750	23,500	–	–

The investment property was valued on 31 December 1997 by Chesterton plc, Chartered Surveyors, at open market value. The surplus in the year has been transferred to the revaluation reserve.

12. Investments held as fixed assets

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Investment in associated undertakings	–	–	–	–
Investment in subsidiary undertakings	–	–	400	400
Other investments	1	1	–	–
	1	1	400	400

The group has a 25% share in Stockley Park Golf Limited ("SPGL") whose issued share capital comprises 100,000 ordinary shares of 10p each. SPGL manages the golf course at Stockley Park. The group's share of SPGL's net liabilities is included in creditors (see note 16).

12. **Investments held as fixed assets (cont'd)**

Subsidiary undertakings	Country of registration and operation	Activity	Portion of ordinary shares held
Stockley Park Arena Limited*	England	Sport and leisure	100%
Stockley Park Investments Limited*	England	Property investment	100%
Millbrook Facilities Management Limited	England	Facilities management	100%
Arena Stockley Limited	England	Sport and leisure	100%

The undertakings marked with an * are directly owned by Stockley Park Consortium Limited.

Arena Stockley Limited commenced trading on 14 April 1997.

At 31 December 1997 the group had 64% of the votes held in Stockley Park East Limited, a company limited by guarantee. The company is registered in England, and is engaged in estate management at Stockley Park. The directors are of the opinion that the inclusion of the company in the accounts is not material for the purposes of giving a true and fair view, and therefore the accounts do not include this company. Millbrook Facilities Management Limited acts as agent for the company in the carrying out of estate management services. At 31 December 1997 Millbrook held funds of £7,168 on behalf of Stockley Park East Limited.

13. **Stocks and work-in-progress**

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Raw materials and goods for resale	22	25	–	–
Development work-in-progress	85,703	106,996	85,703	106,996
	85,725	107,021	85,703	106,996

Stocks and development work-in-progress have been valued by the directors at the lower of cost and net realisable value, assuming a rolling plan of constructing further buildings where the group already has planning consent.

Subsequent to the year end the company's interest in 2 The Square, held in development work-in-progress, was sold for £13.7m. The agreement for the sale was signed on 26 September 1997. The purchaser acquired the property with the benefit of an Agreement for Lease signed by Aspect Telecommunications Limited. On this date, the company received an Initial Sum of £3.5 million from the purchaser, with the Final Payment due after practical completion. Interest on the Initial Sum was accrued and deducted from the Final Payment. Practical completion of the building occurred on 6 February 1998 with receipt of the Final Payment on 10 February 1998. On this date the bank loan financing this development was repaid in full and cancelled.

Capitalised interest included in the production cost of stocks and work-in-progress of the company and the group is as follows:

	£'000
At 1 January 1997	30,183
Interest capitalised during the year	1,403
Interest released	(6,874)
At 31 December 1997	24,712

Notes to the Financial Statements
Year ended 31 December 1997

14. Debtors

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Due within one year:				
Trade debtors	464	1,280	51	485
Other debtors	153	306	6	253
VAT recoverable	289	273	437	379
Amounts owed by subsidiary companies	–	–	27,399	28,740
Prepayments and accrued income	193	193	69	89
	1,099	2,052	27,962	29,946

15. Cash at bank and in hand

	Group		Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,878	6,349	2,684	6,087
Held in blocked accounts	71	726	12	642
	2,949	7,075	2,696	6,729

The amounts held in blocked accounts comprise rent deposits from tenants.

Reconciliation of net cash flow to movement in net debt:

	1997	1996
	£'000	£'000
Decrease in cash in the year	(3,461)	(1,678)
Cash outflow from repayment of mezzanine loans	(25,501)	–
Cash (outflow)/inflow from (repayment)/drawdown of bank loans	(6,013)	9,914
(Decrease)/Increase in net debt in the year	(34,975)	8,236
Interest rolled up on mezzanine loans	2,870	4,071
Net debt at 1 January 1997	106,302	93,995
Net debt at 31 December 1997	74,197	106,302

Notes to the Financial Statements
Year ended 31 December 1997

16. Creditors: amounts falling due within one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Bank overdraft	–	10	–	–
Trade creditors	72	524	31	178
Other creditors	92	55	26	54
Tenant deposits	99	134	2	–
Other taxes and social security costs	110	86	45	34
Accruals and deferred income	3,651	2,544	2,735	1,728
Provision in respect of net liabilities of associated undertaking	24	61	–	–
	4,048	3,414	2,839	1,994

The movements in the provision in respect of the net liabilities of the associated undertaking during the year were as follows:

	£'000
At 1 January 1997	61
Share of profit for the year	(37)
At 31 December 1997	24

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

	Group and Company 1997 £'000	Group and Company 1996 £'000
Shareholders' loans		
Mezzanine loans – secured	26,147	48,778
Subordinated loans – unsecured	39,378	39,378
	65,525	88,156
Bank loans – secured	5,794	11,807
	71,319	99,963

Both the mezzanine and subordinated loans are repayable after five years and carry interest at rates linked to LIBOR. The mezzanine loans are secured by fixed charges over certain of the company's properties, land and other assets, together with floating charges over all of its assets and business. Since 1991, interest payable on the subordinated loans has been waived by the shareholders.

The bank loans carry interest at rates linked to LIBOR and are each secured over one property. The bank loans rank in priority over the mezzanine loans and are wholly repayable between two and five years.

Notes to the Financial Statements
Year ended 31 December 1997

18. **Analysis of movements in net debt**

	At 1 January 1997 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 December 1997 £'000
Cash at bank and in hand	6,349	(3,471)	–	2,878
Overdraft	(10)	10	–	–
	6,339	(3,461)	–	2,878
Debt due after 1 year	99,963	(31,514)	2,870	71,319
Net debt	106,302	(34,975)	2,870	74,197

19. **Deferred taxation**

	Provided 1997 £'000	Unprovided 1997 £'000	Provided 1996 £'000	Unprovided 1996 £'000
Capital allowances in excess of depreciation	–	287	–	2

20. **Called up share capital**

	1997 £'000	1996 £'000
Authorised		
2,018,880 ordinary shares of £1 each	2,019	2,019
57,993,120 redeemable preference shares of £1 each	57,993	57,993
	60,012	60,012
Allotted and fully paid		
12,000 ordinary shares of £1 each	12	12
57,993,120 redeemable preference shares of £1 each	57,993	57,993
	58,005	58,005

The preference shares are held by the ordinary shareholders in the same proportion as their ordinary shares. The preference shares carry no voting rights and are redeemable at par, by the company, once all obligations under the mezzanine loans have been discharged, or otherwise, on 31 December 2000, at the option of either the shareholders or the company.

Notes to the Financial Statements
Year ended 31 December 1997

21. **Shareholders' funds and movements on reserves**

	Share capital £'000	Revaluation reserves £'000	Profit and loss account £'000	Total £'000
Group				
At 1 January 1997	58,005	–	(16,157)	41,848
Revaluation in the year	–	1,250	–	1,250
Profit for the year	–	–	1,184	1,184
At 31 December 1997	58,005	1,250	(14,973)	44,282
Company				
At 1 January 1997	58,005	–	(15,727)	42,278
Profit for the year	–	–	399	399
At 31 December 1997	58,005	–	(15,328)	42,677

22. **Related party transactions**

There have been no transactions with related parties during the year.

23. **Ultimate parent company**

The company's ultimate parent undertaking and parent undertaking of the largest group of which the company is a member, and for which group financial statements are prepared, is Kajima Corporation, a company incorporated in Japan. Copies of the group financial statements of Kajima Corporation are available from 1-2-7 Moto-Akasaka, Minato-Ku, Tokyo.

The smallest group of which the company is a member and for which group financial statements are prepared is Kajima Europe UK Holding Limited. Copies of the group financial statements are available from Grove House, 248a Marylebone Road, London NW1 6JZ.

Operating Subsidiaries and Associated Company

Stockley Park Arena Limited

The company operates the Waterfront Brasserie and the Arena Forum, a business centre including serviced offices and conference facilities.

Arena Stockley Limited

The company operates the Arena Club, a private health and leisure club, which has three squash courts, a 25m swimming pool, a sports hall for badminton, volleyball, 5-a-side football etc., a gymnasium with resistance and cardiovascular equipment, an aerobic studio for up to fifty participants, sunbeds, a hair and beauty salon, a sports injury clinic, health and fitness check rooms, a creche for under 5's, and a bar and lounge with lunch and snack facilities.

Millbrook Facilities Management Limited

The company is responsible for all of the estate management at Stockley Park and provides facilities management to a variety of companies located both on and off the park. In addition, help desk and office services (e.g. reception services and post room) are provided to many of its customers.

Millbrook is responsible for successfully providing the project management on the group's development activities, having most recently completed 2 The Square on time and within budget.

Stockley Park Investments Limited

The company holds, as investments, all of the group's commercial office development. The principal investment is 3 Furzeground Way. This is a fully income producing, multi-tenanted building located at Stockley Park.

Stockley Park Golf Limited (25% owned)

The company operates an 18 hole championship golf course and district park on behalf of the London Borough of Hillingdon.

3 The Square

Companies on Stockley Park

ACUSON

ADOBE SYSTEMS

AMERICAN EXPRESS

APPLE COMPUTER

ARKWRIGHT

ASPECT TELECOMMUNICATIONS

AST EUROPE

BRITISH TELECOMMUNICATIONS

CISCO SYSTEMS

COATS VIYELLA

COGENT

COMPAQ

DOCUMENTUM

DOW CHEMICAL

EDS

FILENET

FISERV

FUJITSU EUROPE

GLAXO WELLCOME

HASBRO

INFORMATION ADVANTAGE

ISOCOR

LUCENT TECHNOLOGIES

MARKS & SPENCER

MATSUSHITA ELECTRIC EUROPE

NETWORK APPLIANCE

POLAROID

SANTA CRUZ OPERATION

STERLING COMMERCE

TETRA PAK

TIME LIFE UK

TOSHIBA INTERNATIONAL

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