

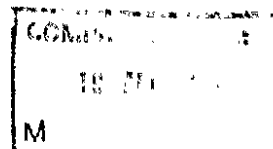
22-27141

Directors' Report and Financial Statements

STOCKLEY PARK CONSORTIUM LIMITED

June 30, 1990

Ernst & Young



STOCKLEY PARK CONSORTIUM LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended June 30, 1990.

PRINCIPAL ACTIVITY

The principal activity of the company is that of property development and trading.

The company's subsidiary company operates sporting and leisure facilities at Stockley Park, West London.

RESULTS

The results for the year and the state of affairs of the company and the group are as set out in the attached financial statements.

BUSINESS REVIEW

During the year, progress on the Stockley Park, Heathrow development has continued to be very successful. Stockley Park has won further prestigious awards and significant letting or selling contracts have been agreed with BP Petroleum Development Limited and Glaxo Finance Bermuda Limited.

Planning consent has now been achieved on Phases 2 and 3 and master planning for a further 600,000 square feet of space on these sites is at an advanced stage.

EVENTS SINCE THE END OF THE YEAR

The sales of three buildings to Glaxo and one building to Apple Computer (UK) Limited have been completed since the end of the year enabling all bank loans to be repaid in full.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

D Metter (Chairman)
M H A Broke
J P Codling
B Lucas
N H G Thompson
K Uchida

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

FIXED ASSETS

The changes in fixed assets during the year are shown in notes 7 and 8 on the financial statements.

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STOCKLEY PARK CONSORTIUM LIMITED

DIRECTORS' REPORT (continued)

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.

By order of the board

D M A Wisniewski

DM A Wisniewski

Secretary

October 22, 1990

Ernst & Young

29-004-91

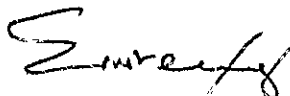
Ernst & Young

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REPORT OF THE AUDITORS TO THE MEMBERS OF STOCKLEY PARK CONSORTIUM LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at June 30, 1990 and of the group's profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Chartered Accountants

London

October 22, 1990

STOCKLEY PARK CONSORTIUM LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1990

	Note	1990 £	1989 £
TURNOVER	2	29,873,326	12,167,834
Cost of sales		23,636,916	12,185,563
		<hr/>	<hr/>
GROSS PROFIT/(LOSS)		6,236,410	(17,729)
Administrative expenses		(1,130,478)	(505,395)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	3	5,105,932	(523,124)
Interest receivable		694,062	800
Interest payable	5	(1,950,961)	(904)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		3,849,033	(523,228)
Taxation	7	(1,245,934)	-
		<hr/>	<hr/>
PROFIT FOR THE YEAR		£2,603,099	£(523,228)
		<hr/>	<hr/>

Ernst & Young

The notes on pages 8 to 14 form part of these financial statements.

STOCKLEY PARK CONSORTIUM LIMITED

CONSOLIDATED BALANCE SHEET - JUNE 30, 1990

		1990	Group	1989
	Note	£		£
FIXED ASSETS				
Tangible assets	7	135,001		38,576
		<hr/>		<hr/>
CURRENT ASSETS				
Development work in progress	9	292,020,826		219,790,371
Debtors	10	5,748,651		3,519,968
Cash at bank and in hand		49,545		108,944
		<hr/>		<hr/>
		297,819,022		223,419,283
		<hr/>		<hr/>
CREDITORS - amounts falling due within one year	11	(51,976,388)		(19,645,435)
		<hr/>		<hr/>
NET CURRENT ASSETS		245,842,634		203,773,848
		<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		245,977,635		203,812,424
		<hr/>		<hr/>
CREDITORS - amounts falling due after more than one year				
Bank loan	12	(70,321,586)		(64,200,000)
		<hr/>		<hr/>
Shareholders' loans	13	175,656,049 (172,362,896)		139,612,424 (140,123,652)
		<hr/>		<hr/>
PROVISION FOR LIABILITIES AND CHARGES				
Deferred taxation	14	(1,201,282)		-
		<hr/>		<hr/>
		£2,091,871		£(511,228)
		<hr/>		<hr/>
CAPITAL AND RESERVES				
Called-up share capital	15	12,000		12,000
Profit and loss account	16	2,079,871		(523,228)
		<hr/>		<hr/>
		£2,091,871		£(511,228)
		<hr/>		<hr/>

D Metter

J P Codrington

Directors

October 22, 1990

The notes on pages 8 to 14 form part of these financial statements.

STOCKLEY PARK CONSORTIUM LIMITED

BALANCE SHEET - JUNE 30, 1990

		<u>Company</u>	
	Note	1990 £	1989 £
FIXED ASSETS			
Tangible assets	7	11,703	11,210
Investments	8	2	2
		<hr/>	<hr/>
		11,705	11,212
CURRENT ASSETS			
Development work in progress	9	292,001,018	219,782,790
Debtors	10	6,179,147	3,643,530
Cash at bank and in hand		23,468	71,927
		<hr/>	<hr/>
		298,203,633	223,498,247
CREDITORS - amounts falling due within one year	11	(51,732,389)	(19,470,804)
		<hr/>	<hr/>
NET CURRENT ASSETS		246,471,244	204,027,443
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		246,482,949	204,038,655
CREDITORS - amounts falling due after more than one year			
Bank loan	12	(70,321,586)	(64,200,000)
		<hr/>	<hr/>
Shareholders' loans	13	176,161,363 (172,362,896)	139,838,655 (140,123,652)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	(1,201,282)	-
		<hr/>	<hr/>
		£2,597,185	£(284,997)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	15	12,000	12,000
Profit and loss account	16	2,585,185	(296,997)
		<hr/>	<hr/>
		£2,597,185	£(284,997)
		<hr/>	<hr/>

D Metter

J P Codling

October 22, 1990

Directors

The notes on pages 8 to 14 form part of these financial statements.

STOCKLEY PARK CONSORTIUM LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1990

	1990 £	1989 £
SOURCE OF FUNDS		
Generated from operations (see below)	3,892,495	-
FUNDS FROM OTHER SOURCES		
Proceeds of share issue	-	12,000
Bank loan received	6,121,586	64,200,000
Shareholders' loans received	32,239,244	140,123,652
Proceeds of disposal of fixed assets	9,229	-
	<hr/> 42,262,554	<hr/> 204,335,652
APPLICATION OF FUNDS		
Absorbed by operations (see below)	-	(510,370)
Purchase of tangible fixed assets	(149,116)	(51,434)
	<hr/> £42,113,438	<hr/> £203,773,848
COMPONENTS OF INCREASE/(DECREASE) IN WORKING CAPITAL		
Development work in progress	72,270,455	219,790,371
Debtors	2,228,683	3,519,968
Creditors	(30,103,184)	(16,289,179)
	<hr/> 44,355,954	<hr/> 207,021,160
MOVEMENT IN NET LIQUID FUNDS		
Cash at bank	(59,399)	108,944
Bank overdraft	(2,183,117)	(3,356,256)
	<hr/> £42,113,438	<hr/> £203,773,848
FUNDS GENERATED FROM/(ABSORBED BY) OPERATIONS		
Profit/(loss) on ordinary activities before taxation	3,849,033	(523,228)
Adjustments for items not involving the movement of funds:		
Depreciation of tangible fixed assets	44,029	12,858
Profit on disposal of fixed assets	(567)	-
	<hr/> £3,892,495	<hr/> £(510,370)

The notes on pages 8 to 14 form part of these financial statements.

STOCKLEY PARK CONSORTIUM LIMITED

NOTES ON THE FINANCIAL STATEMENTS - JUNE 30, 1990

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

The financial statements of the group include those of the company and its subsidiary for the year ended June 30, 1990. Details of the subsidiary company are shown in note 8 on the financial statements.

The company has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985.

(c) Subsidiary companies

Investments in subsidiary companies are stated at cost, or as valued periodically by the directors based on net asset values.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less depreciation which is provided at rates calculated to reduce the carrying value of assets to their residual value over their expected useful lives as follows:

Motor vehicles, furniture and equipment, fixtures and fittings.	25% per annum on a reducing balance basis
--	--

(e) Development work in progress

Development work in progress includes all costs incurred in bringing property developments to their present state and is stated at cost less foreseeable losses.

Costs include interest charges on borrowings and other net outgoings which are directly related to the specific development project.

Profit is recognised on the disposal of each building on the legal completion of the contract.

(f) 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.

STOCKLEY PARK CONSORTIUM LIMITED

NOTES ON THE FINANCIAL STATEMENTS - JUNE 30, 1990

2 TURNOVER

Turnover is stated net of value added tax, and is derived from business carried out in the United Kingdom.

The turnover and operating profit attributable to each activity are as follows:

	1990		1989	
	Turnover £	Profit £	Turnover £	(Loss)/ profit £
Sale of properties	27,643,925	4,147,244	10,959,992	(1,156,008)
Rental income	1,550,210	1,382,225	947,795	859,011
Sports and leisure facilities	679,191	(423,537)	260,047	(226,127)
	<u>£29,873,326</u>	<u>£5,105,932</u>	<u>£12,167,834</u>	<u>£(523,124)</u>

3 OPERATING PROFIT/(LOSS)

This is stated after charging:

	1990 £	1989 £
Auditors' remuneration	12,500	10,000
Depreciation of fixed assets	44,029	12,858
Directors' remuneration	-	-
	<u> </u>	<u> </u>

4 STAFF COSTS

	1990 £	1989 £
Salaries	506,204	256,491
Social security costs	51,412	16,958
Other pension costs	11,713	1,409
	<u>£569,329</u>	<u>£275,358</u>

The average number of employees during the year was made up as follows:

	1990 No	1989 No
Management and administration	4	4
Sports and leisure facilities	32	13
	<u> </u>	<u> </u>
	36	17
	<u> </u>	<u> </u>

STOCKLEY PARK CONSORTIUM LIMITED

NOTES ON THE FINANCIAL STATEMENTS - JUNE 30, 1990

5 INTEREST PAYABLE

	1990 £	1989 £
Bank loans and overdrafts	9,202,779	5,371,258
Shareholders' loans wholly repayable within five years	13,300,879	7,608,940
Shareholders' loans not wholly repayable within five years	13,498,103	7,95 ,974
	<u>36,001,761</u>	<u>20,935,172</u>
Capitalised in development work in progress	(34,050,800)	(20,934,268)
	<u>£1,950,961</u>	<u>£904</u>

6 TAXATION

	1990 £	1989 £
Corporation tax payable	44,652	-
Deferred taxation	1,201,282	-
	<u>£1,245,934</u>	<u>-</u>

STOCKLEY PARK CONSORTIUM LIMITED

NOTES ON THE FINANCIAL STATEMENTS - JUNE 30, 1990

7 TANGIBLE FIXED ASSETS

(a) Group

	Motor vehicles £	Fixtures and fittings £	Furniture and equipment £	Total £
Cost				
At July 1, 1989	40,366	59	11,009	51,434
Additions	26,904	6,658	115,554	149,116
Disposals	(5,950)	-	(4,200)	(10,150)
At June 30, 1990	61,320	6,717	122,363	190,400
Depreciation				
At July 1, 1989	10,091	15	2,752	12,858
Charge for the year	13,179	1,675	29,174	44,029
Disposals	(1,488)	-	-	(1,488)
At June 30, 1990	21,782	1,690	31,926	55,399
Net book value at June 30, 1990	£39,538	£5,027	£90,437	£135,001
July 1, 1989	£30,275	£44	£8,257	£38,576

(b) Company

	Motor vehicles £	Furniture and equipment £	Total £
Cost			
At July 1, 1989	14,946	-	14,946
Additions	-	4,393	4,393
At June 30, 1990	14,946	4,393	19,339
Depreciation			
At July 1, 1989	3,736	-	3,736
Charge for the year	2,802	1,098	3,900
At June 30, 1990	6,538	1,098	7,636
Net book value At June 30, 1990	£8,408	£3,295	£11,703
At July 1, 1989	£11,210	-	£11,210

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STOCKLEY PARK CONSORTIUM LIMITED

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NOTES ON THE FINANCIAL STATEMENTS - JUNE 30, 1990

8 INVESTMENTS

	Company	
	1990	1989
Investment in subsidiary	£2	£2
	—	—

Stockley Park Consortium Limited owns 100% of the share capital of Stockley Park Arena Limited, a company registered in England.

9 DEVELOPMENT WORK IN PROGRESS

The replacement cost of development work in progress is not materially different from the book values shown in these financial statements. Development work in progress of the company and the group includes capitalised interest of £51,354,062 (1989 - £20,934,268).

10 DEBTORS

	1990		1989	
	Group £	Company £	Group £	Company £
Trade debtors	573,219	533,862	3,478,154	3,443,530
Other debtors	5,114,672	5,110,197	30,912	-
Amounts due from subsidiary company	-	535,088	-	200,000
Prepayments and accrued income	60,760	-	10,902	-
	<u>£5,748,651</u>	<u>£6,179,147</u>	<u>£3,519,968</u>	<u>£3,643,530</u>

11 CREDITORS - amounts falling due within one year

	1990		1989	
	Group £	Company £	Group £	Company £
Bank overdraft (Note 12)	5,539,373	5,525,568	3,356,256	3,328,103
Trade creditors	855,817	835,663	1,249,184	1,238,469
Corporation tax payable	44,652	44,652	-	-
Other taxes and social security costs	56,949	33,138	19,829	3,093
Accruals and deferred income	45,479,597	45,293,368	15,020,562	14,901,139
	<u>£51,976,388</u>	<u>£51,732,389</u>	<u>£19,645,435</u>	<u>£19,470,804</u>

STOCKLEY PARK CONSORTIUM LIMITED

NOTES ON THE FINANCIAL STATEMENTS - JUNE 30, 1990

12 BANK LOAN AND OVERDRAFT

The bank loan and overdraft are secured by a fixed legal charge over the properties held by the company. The loan is wholly repayable within five years.

13 SHAREHOLDERS' LOANS

	1990 £	1989 £
Wholly repayable within five years: Mezzanine loan (unsecured)	90,909,819	74,908,390
Not wholly repayable within five years: Subordinated loan wholly repayable on December 31, 1998	81,453,077	65,215,262
	<hr/> £172,362,896	<hr/> £140,123,652

The subordinated loan is unsecured and carries interest at a rate linked to LIBOR.

14 DEFERRED TAXATION

Deferred taxation has been provided in full, and represents differences in recognising interest income and expense in other periods for taxation purposes.

15 SHARE CAPITAL

	Authorised 1989 and 1990 No.	Issued, allotted and fully paid 1990 £	1989 £
Ordinary shares of £1 each	60,012,000	£12,000	£12,000
	<hr/>	<hr/>	<hr/>

16 PROFIT AND LOSS ACCOUNT

	<u>Group</u> £	<u>Company</u> £
At July 1, 1989	(523,228)	(296,997)
Retained profit for the year	2,603,099	2,882,182
	<hr/>	<hr/>
At June 30, 1990	£2,079,871	£2,585,185
	<hr/>	<hr/>

17 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Stanhope Kajima PLC, a company incorporated in England.

STOCKLEY PARK CONSORTIUM LIMITED

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NOTES ON THE FINANCIAL STATEMENTS - JUNE 30, 1990

18 POST BALANCE SHEET EVENT

In July 1990, the company completed the sale of three buildings, totalling 297,000 sq ft, at a significant profit. Subsequently, some £70 million of bank borrowings shown in these financial statements as falling due after more than one year were repaid. The figure for accruals and deferred income shown in note 11 includes £36,300,000 in respect of deposits received on the exchange of contracts for the above sales. Development work in progress (note 9) includes £97,117,000 in respect of these buildings.