

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED

**(formerly Hufvudstaden (UK) Limited)
(Registered number 2305636)**

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 1997



PANNELL KERR FORSTER
Chartered Accountants

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1997

CONTENTS

DIRECTORS' REPORT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES	2
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	5
BALANCE SHEET	6
CASH FLOW STATEMENT	7
NOTES TO THE FINANCIAL STATEMENTS	8

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the company and its subsidiaries for the year ended 31 December 1997, which show the state of the group's affairs.

CHANGE OF NAME

The company changed its name by special resolution to Hufvudstaden International (UK) Limited on 14 July 1997.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company during the year was to hold property in Central London for commercial letting, long leasehold.

During the year the company acquired a long leasehold interest of 40/41 Conduit Street and the freehold of the property at 1/2 Coach and Horses Yard, London from its subsidiary company Hufvudstaden (Mayfair) Limited. The intention is to redevelop these properties with a view to subsequent commercial letting.

RESULTS

The profit for the year after taxation amounted to £660,404 which is transferred to reserves. No dividend is recommended.

FIXED ASSETS

Details of movements in tangible fixed assets are given in note 7 to the financial statements.

DIRECTORS

The following directors served during the year:

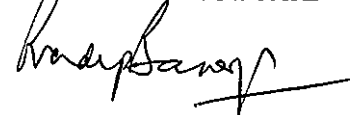
	<u>Appointed</u>	<u>Resigned</u>
Mr L Oberg	-	-
Mr O Agri	-	-
Mr D Brostrom	-	27 August 1997
Mr J Svedin	-	-
Mr T M Petersson	27 August 1997	-

The directors at 31 December 1997 had no interests during the year which required to be recorded in the register maintained by the company under Section 325 of the Companies Act 1985.

AUDITORS

A resolution to reappoint the auditors, Pannell Kerr Forster, will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD


P BANERJEE
Secretary

30. 3 1998

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
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 of the profit or loss of the company for that period. 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;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company 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 1985. 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Huvfudstaden (UK) Limited)**

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 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.

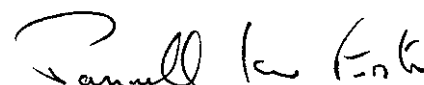
Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 state of affairs of the company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

London

2 April 1998

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Rents receivable		3,037,497	3,323,254
Other operating income		592,454	545,347
		<hr/> 3,629,951	<hr/> 3,868,601
Operating costs		(1,639,412)	(1,392,792)
Administrative expenses		(378,897)	(581,060)
		<hr/>	<hr/>
Operating profit	2	1,611,642	1,894,749
Interest receivable	4	677,318	47,499
Interest payable and similar charges	5	(1,628,556)	(1,114,348)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		660,404	827,900
Taxation	6	-	-
		<hr/>	<hr/>
Retained profit for the year	13	<u><u>660,404</u></u>	<u><u>827,900</u></u>

All amounts relate to continuing operations.

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Profit for the financial year		660,404	827,900
Unrealised deficit on revaluation	12	<u>(9,700,000)</u>	<u>(3,500,000)</u>
Total gains & losses recognised since last annual report		<u><u>(9,039,596)</u></u>	<u><u>(2,672,100)</u></u>

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
 (formerly Hufvudstaden (UK) Limited)
BALANCE SHEET
31 DECEMBER 1997

	<u>Notes</u>	<u>£</u>	<u>1997</u>	<u>£</u>	<u>1996</u>	<u>£</u>
FIXED ASSETS						
Tangible assets	7		48,085,795		49,049,047	
Investments	8		18,104,614		18,104,614	
			<hr/>		<hr/>	
			66,190,409		67,153,661	
CURRENT ASSETS						
Debtors	9	25,778,796		1,116,523		
Cash at bank and in hand		484,570		1,383,002		
		<hr/>		<hr/>		
		26,263,366		2,499,525		
CREDITORS						
Amounts falling due within one year	10	34,546,313		2,439,283		
		<hr/>		<hr/>		
NET CURRENT (LIABILITIES)/ASSETS			(8,303,947)		60,242	
TOTAL ASSETS LESS CURRENT LIABILITIES			<hr/>		<hr/>	
			57,886,462		67,213,903	
CREDITORS						
Amounts falling due after more than one year	10		32,216,570		32,504,415	
			<hr/>		<hr/>	
			25,669,892		34,709,488	
			<hr/>		<hr/>	
CAPITAL AND RESERVES						
Called up share capital	11		40,000,000		40,000,000	
Revaluation reserve	12		(13,200,000)		(3,500,000)	
Profit and loss account	13		(1,130,108)		(1,790,512)	
			<hr/>		<hr/>	
SHAREHOLDERS' FUNDS	14		25,669,892		34,709,488	
			<hr/>		<hr/>	

Approved by the board on 30. 3. 1998

J SVEDIN

Director

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Huvfudstaden (UK) Limited)
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Operating profit before interest and tax		1,611,642	1,894,749
Depreciation		17,109	12,871
(Increase) in trade debtors		(24,488,290)	(628,258)
Increase in trade creditors		534,929	1,082,860
Loss on disposal of fixed assets		12,308	-
Net cash (outflow)/inflow from Operating activities		<u>(23,382,160)</u>	<u>2,362,222</u>
CASHFLOW STATEMENT			
Net cash (outflow)/inflow from operating activities		(23,382,160)	2,362,222
Returns on investments and servicing of finance	15A	(1,420,384)	(1,178,028)
Capital expenditure	15A	(8,639,699)	(23,976)
Cash (outflow)/inflow before financing		(33,442,243)	1,160,218
Financing	15A	32,543,811	(591,915)
(Decrease)/increase in cash in the period		<u>(898,432)</u>	<u>568,303</u>
Reconciliation of net cash flow movement to Movement in net debt	15B		
Decrease in cash in the period		898,432	
Cash and other outflow from increase in debt		32,682,027	
Movement in net debt in the period		33,580,459	
Net debt at 1 January 1997		30,880,413	
Net debt at 31 December 1997		<u>64,460,872</u>	

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property.

(b) Consolidated financial statements

The group qualifies as 'medium' within the definition of section 249 of the Companies Act 1985. Accordingly, by virtue of section 248 of the Companies Act 1985, consolidated financial statements are not presented. The company's auditors, Pannell Kerr Forster, have confirmed to the directors that the company is entitled to rely on the exemption granted by section 248.

The financial statements present information about the company as an individual undertaking and not about the group as a whole.

Investments in subsidiaries are stated at cost.

(c) Turnover

Rents receivable represent amount due from tenants, excluding VAT. All rents are generated from within the United Kingdom.

(d) Investment property

All costs associated with the acquisition and development of investment property, net of incidental receipts and including interest payable on loans taken out to finance the project, are capitalised. Capitalisation of interest and expenses continues until the property is 60% let or until 18 months have elapsed from the date of practical completion, whichever is earlier.

In accordance with Statement of Standard Accounting Practice No. 19 (SSAP 19), investment property is stated in the balance sheet at open market value. Revaluation surpluses and deficits are taken to a revaluation reserve except to the extent that they represent reversals of deficits previously recognised through the profit and loss account.

Also in accordance with SSAP 19 no depreciation is provided in respect of investment property. This is a departure from the requirement of the Companies Act 1985 which requires all assets having a limited useful economic life to be depreciated. The directors consider this treatment necessary in order to show a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which would otherwise have been shown cannot be separately quantified.

(e) Development property

All costs associated with the acquisition and development of development property, net of incidental receipts and including interest payable on loans taken out to finance the project are capitalised. No depreciation is to be provided prior to the completion of the development.

(f) Other tangible fixed assets

Other tangible fixed assets are depreciated by equal annual instalments over their estimated useful lives as follows:

Fixtures, fittings and equipment	-	25%
Motor vehicles	-	25% or the term of the lease

(g) Deferred taxation

Provision is made for deferred tax, using the liability method, to the extent that it is probable that a liability will crystallise in the foreseeable future.

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES (Continued)

(h) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated to sterling at the rate prevailing at the balance sheet date. Transactions in foreign currencies are converted at the rate prevailing at the date of the transaction. All exchange gains and losses are taken to the profit and loss account.

(i) Finance and operating leases

Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred.

2 OPERATING PROFIT

	<u>1997</u> £	<u>1996</u> £
The operating profit is stated after charging:		
Auditors' remuneration - for audit services	17,850	13,582
- for other services	20,272	35,400
Depreciation	17,109	12,871
Directors' emoluments	25,605	46,534
Loss on sale of fixed assets	2,312	-
Operating lease rentals in respect of motor vehicles	18,063	13,696
	<u> </u>	<u> </u>

3 STAFF COSTS AND NUMBERS

	<u>1997</u> £	<u>1996</u> £
Staff costs, including directors were:		
Wages and salaries	174,044	160,499
Social security costs	17,488	17,287
Pension contributions	9,818	13,427
	<u> </u>	<u> </u>
	201,350	191,213
	<u> </u>	<u> </u>
	<u>Number</u>	<u>Number</u>

Average monthly number of persons employed during the year (excluding directors):

Administration	4	3
	<u> </u>	<u> </u>

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

4 INTEREST RECEIVABLE	<u>1997</u> £	<u>1996</u> £
Group interest	620,153	-
Bank interest	57,165	46,917
Other interest receivable	-	582
	<hr/>	<hr/>
	677,318	47,499
	<hr/> <hr/>	<hr/> <hr/>
 5 INTEREST PAYABLE AND SIMILAR CHARGES		
Group interest	346,537	977,798
Bank interest	1,281,550	132,650
Finance charges	469	1,609
Other interest	-	2,291
	<hr/>	<hr/>
	1,628,556	1,114,348
	<hr/> <hr/>	<hr/> <hr/>

£406,996 of interest payable in 1997 (1996 - £NIL) has been capitalised within the cost of the development property and is excluded from the above.

6 TAXATION

No taxation charge arises on the profit for the year due to the availability of tax losses. The company has estimated unutilised tax losses of £8,945,000 available for offset against future profits.

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

7 TANGIBLE FIXED ASSETS

	<u>Long leasehold investment properties</u> £	<u>Fixtures, fittings and equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u>
Cost or valuation				
At 1 January 1997	49,000,000	211,556	24,564	49,236,120
Additions	2,929,504	36,661	-	2,966,165
Transfer from subsidiary undertaking	5,800,000	-	-	5,800,000
Revaluation	(9,700,000)	-	-	(9,700,000)
Disposals	-	-	(24,564)	(24,564)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	48,029,504	248,217	-	48,277,721
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 1997	-	176,377	10,696	187,073
Charge for the year	-	15,549	1,560	17,109
Released on disposal	-	-	(12,256)	(12,256)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	-	191,926	-	191,926
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amounts				
At 31 December 1997	48,029,504	56,291	-	48,085,795
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	49,000,000	35,179	13,868	49,049,047
	<hr/>	<hr/>	<hr/>	<hr/>

Properties have been revalued by the directors to open market value at 31 December 1997.

The historical cost of the properties was £83,891,116 (1996 - £75,288,078).

All motor vehicles are held under finance leases.

A property at Conduit Street, transferred from Hufvudstaden (Mayfair) Limited during the year has been accounted for as a development property.

8 INVESTMENTS

	<u>Investments in subsidiaries</u> £	<u>Loans</u> £	<u>Total</u> £
At 1 January 1997 and 31 December 1997	2	18,104,612	18,104,614
	<hr/>	<hr/>	<hr/>

At 31 December 1997 the company owned directly, or indirectly, the entire share capital of the following subsidiaries, all of which are registered in England and Wales:

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

8 INVESTMENTS (continued)

	Proportion and class of shares held	Reserves at 31 December 1997 £	Profit for the year ended 31 December 1997 £
Brooksav Limited	100% of ordinary shares	-	-
Hufvudstaden (Mayfair) Limited	100% of ordinary shares	8,220,305	118,643

9 DEBTORS

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	751,643	1,040,162
Amounts due from fellow subsidiary	24,741,586	6,250
Other debtors	235,750	6,165
Prepayments and accrued income	49,817	63,946
	25,778,796	1,116,523

10 CREDITORS

Amounts falling due within one year:		
Other tax and social security	-	122,867
Accruals and deferred income	1,491,904	1,426,338
Finance leases	-	11,750
Amounts due to group undertakings	-	878,328
Bank loan	33,075,409	-
	34,567,313	2,439,283
Amounts falling due after more than one year:		
Amounts due from group undertakings:		
- parent and fellow subsidiary undertakings	13,996,265	14,771,000
- subsidiary undertaking	18,220,305	17,492,415
Other creditors	-	241,000
	32,216,570	32,263,415

11 CALLED UP SHARE CAPITAL

	1997	1996
Authorised		
45,000,000 ordinary shares of £1 each	45,000,000	45,000,000
Allotted, issued and fully paid		
40,000,000 ordinary shares of £1 each	40,000,000	40,000,000
There has been no movement in the share capital during the year.		

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

12	REVALUATION RESERVE		<u>1997</u> £
	At 1 January 1997		(3,500,000)
	Revaluation of freehold land and buildings		(9,700,000)
			<hr/>
	At 31 December 1997		(13,200,000)
			<hr/>
13	PROFIT AND LOSS ACCOUNT		£
	At 1 January 1997		(1,790,512)
	Profit for the year		660,404
			<hr/>
	At 31 December 1997		(1,130,108)
			<hr/>
14	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		<u>1996</u> £
	At 1 January 1997		34,709,488
	Profit for the financial year		660,404
	Revaluation of freehold land & buildings		(9,700,000)
			<hr/>
	At 31 December 1997		25,669,892
			<hr/>
15	NOTES TO THE CASHFLOW STATEMENT	<u>1997</u> £	<u>1996</u> £
	(A) Analysis of Cashflow for Headings Netted In the Cashflow Statement		
	Returns on investment and servicing of finance		
	Interest received	503,335	47,499
	Interest paid	(1,923,719)	(1,225,527)
		<hr/>	<hr/>
		(1,420,384)	(1,178,028)
		<hr/>	<hr/>
	Capital Expenditure		
	Payments to acquire tangible fixed assets	8,639,699	(23,976)
		<hr/>	<hr/>
	Financing		
	Repayment of loans	(14,771,000)	(586,318)
	New loans	47,326,561	-
	Capital repayments on finance leases	(11,750)	(5,597)
		<hr/>	<hr/>
		32,543,811	(591,915)
		<hr/>	<hr/>

HUFVUDSTADEN INTERNATIONAL (UK) LIMITED
(formerly Hufvudstaden (UK) Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

15 NOTES TO THE CASHFLOW STATEMENT (continued)

	At 1 January <u>1997</u>	Cash Flows	<u>Other</u>	31 December <u>1997</u>
(B) Analysis of changes in net debt				
Cash in hand and at bank	1,383,002	(898,432)	-	484,570
Net debt within one year	-	(33,075,409)	-	(33,075,409)
Net debt due in more than one year	(32,263,415)	-	393,382	(31,870,033)
	<u>(30,880,413)</u>	<u>(33,973,841)</u>	<u>393,382</u>	<u>(64,460,872)</u>

16 DEFERRED TAXATION

If the long leasehold property was to be sold at its balance sheet value, no deferred taxation liability would arise.

17 LEASE COMMITMENTS

	<u>1997</u> £	<u>1996</u> £
Plant and machinery		
Annual commitments in respect of operating leases expiring:		
Within one year	-	2,203
Between two and five years	16,878	10,823
	<u>16,878</u>	<u>10,823</u>

18 ULTIMATE PARENT COMPANY AND PARENT GROUPS

Diligentia AB, incorporated in Sweden, is regarded by the directors as the ultimate parent company and is the parent undertaking of the largest group for which group accounts are prepared.

The parent undertaking of the smallest group for which group accounts are prepared is Diligentia AB, incorporated in Sweden.

Group accounts of Diligentia AB are available to the public from Patent-och Registreringsverket, Bolagsavdelningen, 851-81 Sundsvall, Sweden.

No disclosure has been made within these financial statements of any transactions with Hufvudstaden International AB or fellow subsidiaries in accordance with the exemptions allowed by Financial Reporting Standard No. 8.