

Company Registration No. 2504043 (England and Wales)

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PALL MALL CAPITAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996



PALL MALL CAPITAL LIMITED

COMPANY INFORMATION

Directors	A. Heeschen Dr F. Schefenacker M Bauer
Company Secretary	E Schmidt
Company number	2504043
Registered office	12 York Gate Regent's Park London NW1 4QS
Auditors	Blick Rothenberg 12 York Gate Regent's Park London NW1 4QS
Business address	34A Queen Anne's Gate London SW1H 9AB

PALL MALL CAPITAL LIMITED

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PALL MALL CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

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

Principal activity and review of the business

The principal activity of the company continued to be that of providing advice to institutional financial investors and industrial corporations.

The results for the year and the financial position at the year end were as anticipated by the directors who expect improvement in the foreseeable future.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

It is proposed that the retained profit of £4,454 is transferred to reserves.

Fixed assets

The changes in fixed assets during the year are explained in note 7 and 8 to the financial statements.

Directors and their interests

The directors who served during the year were:

A. Heeschen

Dr F. Schefenacker

P.K. Schumann (resigned 7 March 1997)

M. Bauer (appointed 1 November 1996)

No director had any interest in the company's shares at any time during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Blick Rothenberg be reappointed as auditors of the company will be put to the Annual General Meeting.

PALL MALL CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

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;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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.

By order of the Board

A. Heeschen
Director

2015.12.31

PALL MALL CAPITAL LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF PALL MALL CAPITAL LIMITED

We have audited the financial statements on pages 4 to 16 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 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.

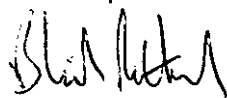
Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BLICK ROTHENBERG
Chartered Accountants
Registered Auditor

27 May 1997
12 York Gate
Regent's Park
London
NW1 4QS

PALL MALL CAPITAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £	1995 £
Turnover	2	454,090	442,671
Administrative expenses		(444,569)	(470,537)
Operating profit/(loss)	3	9,521	(27,866)
Other interest receivable and similar income	4	5,087	675
Interest payable and similar charges	5	(6,250)	(5,743)
Profit/(loss) on ordinary activities before taxation		8,358	(32,934)
Tax on profit/(loss) on ordinary activities	6	(3,904)	(4,423)
Profit/(loss) on ordinary activities after taxation	14	4,454	(37,357)

The profit and loss account has been prepared on the basis that all operations are continuing operations.


There are no recognised gains and losses other than those passing through the profit and loss account.

PALL MALL CAPITAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	Notes	1996 £	£	1995 £	£
Fixed assets					
Tangible assets	7		235,397		62,231
Investments	8		43,150		36,694
			<u>278,547</u>		<u>98,925</u>
Current assets					
Debtors	9	250,717		340,436	
Cash at bank and in hand		22,223		21,775	
		<u>272,940</u>		<u>362,211</u>	
Creditors: amounts falling due within one year	10	(218,670)		(190,464)	
		<u></u>		<u></u>	
Net current assets			54,270		171,747
Total assets less current liabilities			<u>332,817</u>		<u>270,672</u>
Creditors: amounts falling due after more than one year	11		-		(962)
Provisions for liabilities and charges	12		(5,040)		(8,179)
			<u>327,777</u>		<u>261,531</u>
Capital and reserves					
Called up share capital	13		495,000		495,000
Revaluation reserve	14		61,792		-
Profit and loss account	14		(229,015)		(233,469)
Shareholders' funds - equity interests	15		<u>327,777</u>		<u>261,531</u>

The financial statements were approved by the Board on 20/5/97


A. Heeschen
Director

PALL MALL CAPITAL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £	1995 £
Net cash inflow/(outflow) from operating activities	175,055	(95,503)
Returns on investments and servicing of finance		
Interest received	5,087	675
Interest paid	(3,898)	(3,391)
Interest element of finance lease rentals	(2,352)	(2,352)
Net cash outflow from returns on investments and servicing of finance	(1,163)	(5,068)
Taxation		
Corporation tax paid (including advance corporation tax)	-	(14,954)
Tax paid	-	(14,954)
Investing activities		
Payments to acquire tangible assets	(133,172)	(42,525)
Payments to acquire investments	(6,456)	(4,795)
Receipts from sales of tangible assets	-	145,000
Net cash (outflow)/inflow from investing activities	(139,628)	97,680
Net cash inflow/(outflow) before financing	34,264	(17,845)
Financing		
Capital element of hire purchase contracts	(11,544)	(11,545)
Net cash outflow from financing	(11,544)	(11,545)
Increase/(decrease) in cash and cash equivalents	22,720	(29,390)

PALL MALL CAPITAL LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

1	Reconciliation of operating profit/(loss) to net cash inflow from operating activities	1996	1995	
		£	£	
	Operating profit/(loss)	9,521	(27,866)	
	Depreciation of tangible assets	21,798	30,257	
	Profit on disposal of tangible assets	-	(36,454)	
	Decrease/(increase) in debtors	89,719	(35,194)	
	Increase/(decrease) in creditors within one year	54,017	(26,246)	
	Net cash inflow/(outflow)from operating activities	175,055	(95,503)	
2	Analysis of changes in cash and cash equivalents during the year	1996	1995	
		£	£	
	Balance at 1 January 1996	(497)	28,893	
	Net cash inflow/(outflow)	22,720	(29,390)	
	Balance at 31 December 1996	22,223	(497)	
3	Analysis of the balances of cash and cash equivalents as shown in the balance sheet	1996	1995	Change in year
		£	£	£
	Cash at bank and in hand	22,223	21,775	448
	Bank overdrafts	-	(22,272)	22,272
		22,223	(497)	22,720
4	Analysis of changes in financing during the year	Share capital	Loans and finance lease obligations	
		£	£	
	Balance at 1 January 1996	495,000	12,506	
	Cash outflow from financing	-	(11,544)	
	Balance at 31 December 1996	495,000	962	

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

1 Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of leasehold land and buildings and in accordance with applicable accounting standards.

1.2 Turnover

Turnover represents amounts receivable for services provided net of VAT.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Leasehold land and buildings	Straight line over the remaining lease term
Plant and machinery	33 1/3% straight line and 25% reducing balance

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

All of the company's turnover arose from services provided in Europe.

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

3	Operating profit/(loss)	1996	1995
		£	£
	Operating profit/(loss) is stated after charging:		
	Depreciation of tangible assets	21,798	30,257
	Operating lease rentals		
	- Land and buildings	41,387	47,540
	Auditors' remuneration	4,579	3,608
		<hr/>	<hr/>
4	Other interest receivable and similar income	1996	1995
		£	£
	Bank interest	523	675
	Other interest	4,564	-
		<hr/>	<hr/>
		5,087	675
		<hr/>	<hr/>
5	Interest payable	1996	1995
		£	£
	On bank loans and overdrafts	2,042	3,391
	Other	1,856	-
	Lease finance charges	2,352	2,352
		<hr/>	<hr/>
		6,250	5,743
		<hr/>	<hr/>
6	Taxation	1996	1995
		£	£
	U.K. Current year taxation		
	U.K. Corporation tax at 25% (1995 - 25%)	6,889	-
	Deferred taxation	(3,139)	4,423
		<hr/>	<hr/>
		3,750	4,423
	Prior years		
	U.K. Corporation tax	154	-
		<hr/>	<hr/>
		3,904	4,423
		<hr/>	<hr/>

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

7 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Total £
Cost or valuation			
At 1 January 1996	35,730	62,631	98,361
Additions	126,189	6,983	133,172
Revaluation	48,081	-	48,081
	<hr/>	<hr/>	<hr/>
At 31 December 1996	210,000	69,614	279,614
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1996	6,214	29,916	36,130
Charge for the year	7,497	14,301	21,798
Revaluation	(13,711)	-	(13,711)
	<hr/>	<hr/>	<hr/>
At 31 December 1996	-	44,217	44,217
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1996	210,000	25,397	235,397
	<hr/>	<hr/>	<hr/>
At 31 December 1995	29,516	32,715	62,231
	<hr/>	<hr/>	<hr/>

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
Historical cost at 1 January 1996	35,730
Additions	126,189
	<hr/>
At 31 December 1996	161,919
	<hr/>
Depreciation based on cost	
At 1 January 1996	6,214
Charge for the year	7,497
	<hr/>
At 31 December 1996	13,711
	<hr/>
Net book values	
At 31 December 1996	148,208
	<hr/>

Leasehold land and buildings were revalued on 30 October 1996 by Colleys Professional Services, an independent firm of Chartered Surveyors.

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £	Total £
Net book values		
At 31 December 1996	10,942	10,942
At 31 December 1995	21,885	21,885
Depreciation charge for the year		
31 December 1996	10,943	10,943
31 December 1995	10,943	10,943

8 Fixed asset investments

	Other investments £
Cost or valuation	
At 1 January 1996	36,694
Additions	6,456
At 31 December 1996	43,150
At 31 December 1995	36,694

9 Debtors

	1996 £	1995 £
Trade debtors	52,907	171,521
Amounts owed by parent undertaking	-	139,881
Amounts owed by fellow subsidiary undertakings	60,282	-
Other debtors	47,203	2,933
Prepayments and accrued income	90,325	26,101
	250,717	340,436

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

10 Creditors : amounts falling due within one year	1996	1995
	£	£
Bank loans and overdrafts	-	22,272
Net obligations under finance lease and hire purchase contracts	962	11,544
Trade creditors	30,719	31,302
Corporation tax	6,889	(154)
Other creditors	176,104	92,740
Accruals and deferred income	3,996	32,760
	<u>218,670</u>	<u>190,464</u>
11 Creditors: amounts falling due after more than one year	1996	1995
	£	£
Net obligations under finance leases and hire purchase agreements	-	962
	<u>-</u>	<u>962</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	1,158	13,897
Repayable between one and five years	-	1,158
	<u>1,158</u>	<u>15,055</u>
Finance charges and interest allocated to future accounting periods	(196)	(2,549)
	<u>962</u>	<u>12,506</u>
Included in liabilities falling due within one year	(962)	(11,544)
	<u>-</u>	<u>962</u>

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

12 Provisions for liabilities and charges

Deferred tax is provided at 25% (1995 - 25%).

Fully provided

	1996 £	1995 £
Accelerated capital allowances	5,040	8,179

No deferred taxation has been provided on the surplus arising from the revaluation of leasehold land and buildings due to capital losses being available for offset against any future capital gains.

Movements on the provision for deferred taxation are: £

At 1 January 1996	8,179
Transferred to profit and loss account	(3,139)

At 31 December 1996	5,040
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13 Share capital

	1996 £	1995 £
Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
500,000 Redeemable Ordinary shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000
485,000 Redeemable Ordinary shares of £1 each	485,000	485,000
	<u>495,000</u>	<u>495,000</u>

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

14 Statement of movement on reserves

	Revaluation reserve £	Profit and loss account £
At 1 January 1996	-	(233,469)
Retained profit for the year	-	4,454
Revaluation during the year	61,792	-
At 31 December 1996	61,792	(229,015)

15 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit/(loss) for the financial year	4,454	(37,357)
Other recognised gains and losses	61,792	-
Net addition to/(reduction in) shareholders' funds	66,246	(37,357)
Opening shareholders' funds	261,531	298,888
Closing shareholders' funds	327,777	261,531

16 Financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1996 £	1995 £
Expiry date:		
Within one year	-	3,300
Between two and five years	19,800	-
In over five years	27,740	27,740
	47,540	31,040

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

17 Employees

Number of employees

The average number of employees (including directors) during the year was:

	1996 Number	1995 Number
Administration	5	4

Employment costs

	£	£
Wages and salaries	99,317	139,694
Social security costs	9,498	13,245
Other pension costs	1,100	1,486
	109,915	154,425

18 Ultimate parent undertaking

The ultimate parent undertaking is Pall Mall Capital Holdings Limited, a company incorporated in Jersey. Group financial statements are not available to the public.

PALL MALL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

19 Related party transactions

In 1996 the company had the following transactions with group companies:

parent undertaking - Pall Mall Capital Holdings Limited

-sales £271,453

fellow subsidiary undertaking - Pall Mall Capital (Jersey) Limited

-sales £7,522

associated undertaking - Luhns GmbH

-sales £48,050

At the year end, amounts owed to the company by fellow subsidiary undertakings were:

	£
Pall Mall Capital (Jersey) Limited	7,522
Dressin GmbH	52,760
	<hr/> <hr/>

PALL MALL CAPITAL LIMITED

AUDITORS' REPORT TO THE SECURITIES AND FUTURES AUTHORITY

We have audited the financial statements of Pall Mall Capital Limited on pages 4 to 15 in accordance with Auditing Standards and have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of this report. We have also reviewed the annual reporting statement of the company enclosed herewith.

In our opinion :

- (a) the financial statements give a true and fair view of the state of the company's affairs at 31st December 1996 and of its profit for the period then ended;
- (b) the annual reporting statement of the company has been prepared in accordance with the accounting policies required under Chapter 3, rule 30.02;
- (c) the balance sheet and the profit and loss account of the annual reporting statement are in agreement with the company's accounting records and returns;
- (d) the balance sheet of the annual reporting statement has been properly reconciled to the balance sheet of the financial statements at the quarterly reporting statement prepared as at 31st December 1996;
- (e) the company's statement of financial resources and the company's statement of financial resources requirement in its annual reporting statement have been properly prepared in accordance with the rules of the Securities and Futures Authority;
- (f) the company has, throughout the financial period, kept accounting records in accordance with Chapter 3, rules 20.01, 20.02 and 20.04.

Without qualifying our opinion above, we draw attention to the following matters:

- (1) The company has not handled client money or any other assets under the Client Money and Other Assets Rules during the period.
- (2) The company had no subsidiary undertakings during the period.

BLICK ROTHENBERG
Chartered Accountants
Registered Auditor

27 May 1997
12 York Gate
Regent's Park
London

NW1 4QS