

# **POSTHOLD LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 JUNE 1997**

**(Reg. No. 2833065)**



# POSTHOLD LIMITED

## DIRECTORS' REPORT

The directors submit their report and the audited financial statements of Posthold Limited for the financial year ended 30 June 1997.

### Principal activity

The principal activity of the company continues to be that of a holding company with two wholly owned subsidiaries - Plustrade Limited and Stafftrade Limited. Plustrade is a property trading company and Stafftrade trades as a property investment company.

### Results and dividend

The results for the year are detailed in the consolidated profit and loss account on page 4. The directors do not recommend the payment of a dividend and accordingly a loss of £1,289,400 is carried forward.

### Significant changes in fixed assets

The significant changes in fixed assets during the year are summarised in Note 7.

### Directors

Directors who served during the year were as follows:

#### Name

J. W. Boulton  
Yuills Limited  
West Central Developments Limited

### Directors' interests

The directors interests in the shares of Posthold Limited at 30 June 1997 and 30 June 1998 were as follows:

<u>Director</u>	<u>Ord. Shares of 1p each</u>
J. W. Boulton	393,244
Yuills Limited	236,606
West Central Developments Limited	370,150

# POSTHOLD LIMITED

## DIRECTORS' REPORT (Continued)

### 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 group and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

- ♦ Select suitable accounting policies and 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 the company will continue in business.

The directors are responsible for maintaining 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 taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Auditors

KPMG have signified their willingness to accede to our request that they remain in office as registered auditors. In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to re-appoint them as auditors annually.

By order of the board.

126 Kew Road  
Richmond  
Surrey TW9 2AU



Secretary  
23 June 1998

# **AUDITORS' REPORT TO THE MEMBERS OF POSTHOLD LIMITED**

We have audited the financial statements on pages 4 to 11.

## **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 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 30 June 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG  
Chartered Accountants  
Registered Auditors

26 London  
June 1998

# POSTHOLD LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED 30 JUNE 1997

	Note	Year ended 30 June 1997 £	Year ended 30 June 1996 £
Net profit from properties	3	784,436	832,256
Administrative expenses		( 61,700)	( 63,997)
		<hr/>	<hr/>
OPERATING PROFIT		722,736	768,259
Interest and similar income receivable		162,493	117,848
Interest and other finance charges payable	4	(1,769,557)	(1,975,947)
Amounts written off investments	7	( 400,000)	(2,014,969)
Loss on disposal of investment property		( 5,072)	( 504,375)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(1,289,400)	( 3,609,184)
Taxation on loss on ordinary activities	6	0	0
		<hr/>	<hr/>
LOSS FOR THE YEAR	11	<u>£(1,289,400)</u>	<u>£( 3,609,184)</u>

All amounts are derived from continuing operations.

There were no recognised gains or losses other than the loss for the year shown above.

The notes on pages 8 to 11 form part of these financial statements.

# POSTHOLD LIMITED

## CONSOLIDATED BALANCE SHEET AT 30 JUNE 1997

	Note	1997	1996
		£	£
FIXED ASSETS			
Investments	7	0	4,218,090
CURRENT ASSETS			
Trading stock	8	7,651,074	8,330,960
Debtors	9	753,097	844,800
Cash at bank and in hand		<u>1,768,412</u>	<u>2,768,747</u>
		10,172,583	11,944,507
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(16,915,929)	(21,616,543)
NET CURRENT LIABILITIES		(6,743,346)	(9,672,036)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£ (6,743,346)</u>	<u>£ (5,453,946)</u>
CAPITAL AND RESERVES			
Called up share capital	11	10,000	10,000
Profit and loss reserve	11	(6,753,346)	(5,463,946)
TOTAL SHAREHOLDERS' FUNDS		<u>£ (6,743,346)</u>	<u>£ (5,453,946)</u>

These financial statements were approved by the board of directors on 17 June 1998.



J. W. Boulton  
Director

The notes on pages 8 to 11 form part of these financial statements.

# POSTHOLD LIMITED

## BALANCE SHEET AT 30 JUNE 1997

	Note	1997		1996	
		£	£	£	£
FIXED ASSETS					
Investment in group undertakings	15		2		2
CURRENT ASSETS					
Debtors	9	16,165,749		19,842,765	
Cash at bank and in hand		<u>50,399</u>		<u>754,956</u>	
		16,216,148		20,597,721	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	10	<u>(16,257,504)</u>		<u>(20,629,249)</u>	
NET CURRENT LIABILITIES			(41,356)		(31,528)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ (41,354)</u>		<u>£ (31,526)</u>
CAPITAL AND RESERVES					
Called up share capital	11		10,000		10,000
Profit and loss reserve	11		(51,354)		(41,526)
TOTAL SHAREHOLDERS' FUNDS			<u>£ (41,354)</u>		<u>£ (31,526)</u>

These financial statements were approved by the board of directors on 17 June 1998.  
The notes on pages 8 to 11 form part of these financial statements.

**POSTHOLD LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 1997**

	Note	1997	1996
		£	£
Net cash inflow from operating activities	16(a)	3,822,002	1,797,072
Returns on investment and servicing of finance			
Interest received		162,493	117,848
Interest paid		(1,624,557)	(1,860,947)
Finance arrangement fees paid		(145,000)	(115,000)
Net cash outflow from returns on investments and servicing of finance		(1,607,064)	(1,858,099)
Investing activities			
Proceeds on sale of investment properties		1,240,000	2,635,000
Cost of disposal of investment properties		(26,982)	(100,043)
Refurbishment of investment property		(20,431)	(252,167)
Net cash inflow from investing activities		1,192,587	2,282,790
Net cash inflow (outflow) before financing		3,407,525	2,221,763
Financing			
Increase in bank loans		1,622,140	1,851,850
Bank loan repaid in year		(6,030,000)	(2,205,000)
Net cash (outflow) from financing		(4,407,860)	(353,150)
(Decrease) / Increase in cash and cash equivalents	16(b)	£ <u>(1,000,335)</u>	£ <u>1,868,613</u>

The notes on pages 8 to 11 form part of these financial statements.



# POSTHOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the groups' financial statements.

#### (a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, except for the valuation of investment properties noted below which constitutes a departure from the provisions of Schedule 4, Companies Act 1985 and which, in the opinion of the directors, is required to give a true and fair view. They have been prepared on a going concern basis as the group's bankers have agreed to continue to provide finance to support the company's operation.

#### (b) Investments

In accordance with Statement of Accounting Practice No. 19 - Accounting for investment properties:

- i. investment properties are revalued annually at open market values. Surpluses and deficits arising and the aggregate surplus or deficit is transferred to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and
- ii. no depreciation or amortisation is provided in respect of freehold investment properties.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### (c) Rental income

Rental income comprises rent receivable, credit for which is taken on an accruals basis and additionally, in respect of Plustrade Limited, service charge income, credit for which is taken on a cash paid basis.

#### (d) Trading stock

Property held as trading stock is valued at the lower of cost or net realisable value, as estimated by the directors of the company. Profits or losses on the realisation of property are taken upon legal completion of the sale.

### 2. Employees' and directors' emoluments

No director received any emoluments in connection with his services to the company.

	Group		Company	
	1997	1996	1997	1996
Average number of persons employed	0	1	0	0
Salaries and pensions paid	£ 0	£ 28,621	£ 0	£ 0

# POSTHOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. Net Profit from properties

	Group		Company	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Rental income	1,322,307	1,917,453	0	0
Property outgoings	(2,381,201)	(1,377,037)	0	0
Profit on property trading	1,843,330	291,840	0	0
	<u>£ 784,436</u>	<u>£ 832,256</u>	<u>£ 0</u>	<u>£ 0</u>

### 4. Interest and other finance charges payable

Interest and other finance charges payable relate to bank loans.

### 5. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging the following items:

	Group		Company	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£	£	£	£
Auditors' remuneration				
-audit fee	£ 13,750	£ 16,500	£ 2,000	£ 2,500
-other services	£ 11,750	£ 8,290	£ 0	£ 500

As permitted by Section 228(7) of the Companies Act 1985, no separate Profit and Loss Account has been presented for the company. The loss for the year in the accounts of the holding company was £9,828.

### 6. Taxation

The company and the group have made no charge or provision for taxation due to the losses for the year.

### 7. Investments

	Group	
	<u>1997</u>	<u>1996</u>
	£	£
Directors' opening valuation	4,218,090	9,020,224
Refurbishment in year	20,431	252,167
Deficit on revaluation	(400,000)	(2,014,969)
Disposed of in year	(1,218,090)	(3,039,332)
Transfer to trading stock	(2,620,431)	0
Directors' closing valuation	<u>£ 0</u>	<u>£ 4,218,090</u>

On 23rd June 1997, the remaining investment property was transferred to trading stock at director's open market valuation.

### 8. Trading Stock

Trading stock comprises of residential properties and a commercial property valued at cost.

# POSTHOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9. Debtors : due within one year

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Trade debtors	274,971	648,359	0	0
Other debtors	478,126	196,441	0	0
Amounts due from group undertakings	0	0	16,165,749	19,842,765
	<u>£ 753,097</u>	<u>£ 844,800</u>	<u>£ 16,165,749</u>	<u>£ 19,842,765</u>

### 10. Creditors : amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loans	16,187,949	20,595,809	16,187,949	20,595,809
Other creditors including taxation and social security	358,717	465,441	0	0
Accruals and deferred income	369,263	555,293	69,555	33,440
	<u>£ 16,915,929</u>	<u>£ 21,616,543</u>	<u>£ 16,257,504</u>	<u>£ 20,629,249</u>

The bank loans are secured as stated in note 14. Interest on the loans is payable at Libor plus 2%.

### 11. Share capital and reserves

	1997	1996
Authorised		
1,000,000 Ordinary shares of 1 pence each	£ 10,000	£ 10,000
Allotted, issued and fully paid		
1,000,000 Ordinary shares of 1 pence each	£ 10,000	£ 10,000

#### Reconciliation of movement in shareholders' funds

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Opening balance	(5,453,946)	(1,844,762)	(31,526)	(20,545)
Movement in profit and loss reserve	(1,289,400)	(4,571,325)	(9,828)	(10,981)
Movement in revaluation reserve	0	962,141	0	0
Closing balance	<u>£ (6,743,346)</u>	<u>£ (5,453,946)</u>	<u>£ (41,354)</u>	<u>£ (31,526)</u>

#### Reconciliation of movement in profit and loss reserve

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Opening balance	(5,463,946)	(892,621)	(41,526)	(30,545)
Loss for the year	(1,289,400)	(3,609,184)	(9,828)	(10,981)
Permanent property revaluation deficit transferred from revaluation reserve	0	(962,141)	0	0
Closing balance	<u>£ (6,753,346)</u>	<u>£ (5,463,946)</u>	<u>£ (51,354)</u>	<u>£ (41,526)</u>

# POSTHOLD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 12. Revaluation reserves

	1997 £	Group 1996 £
Opening balance	0	(962,141)
Permanent property revaluation deficit transferred to profit and loss reserve	0	962,141
Closing balance	£ 0	£ 0

### 13. Related Parties

The Directors have been advised that The Hongkong and Shanghai Banking Corporation Ltd, Canto Consulting, and Bank of Ireland are related parties of the company within the meaning of FRS8, by virtue of arrangements surrounding the shareholding structure of Posthold Ltd. At 30 June 1997, these institutions had advanced all the bank loans disclosed in note 10 on the terms set out in the note.

### 14. Guarantees and other financial commitments

#### a) Contingent liabilities

A group guarantee and debenture over the group's assets has been given to Posthold's banker in respect of the borrowings of Posthold Limited.

#### b) Capital commitments

At the end of the year, capital commitments were:

	1997 £	Group 1996 £	1997 £	Company 1996 £
Contracted for but not provided for	0	157,006	0	0

### 15. Investments in group undertakings

Investments in group undertakings comprise 100% interest in the called up share capital of the following companies registered in England and Wales.

Business	Company	Shares
Commercial Investment Property	Stafftrade Limited	£1
Residential Property	Plustrade Limited	£1

### 16. Notes to the group cash flow

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit	722,736	768,259
Decrease in trading stock	3,300,317	528,956
Decrease / (increase) in debtors	91,703	56,620
(Decrease) / Increase in creditors and accruals	(292,754)	443,237
Net cash inflow from operating activities	£ 3,822,002	£ 1,797,072

#### (b) Analysis of changes in cash and cash equivalents during the period

	1997 £	1996 £
Opening balance	2,768,747	900,134
Net cash (outflow) / inflow	(1,000,335)	1,868,613
Closing balance	£ 1,768,412	£ 2,768,747

#### (c) Analysis of the balances of cash and cash equivalents as shown on the balance sheet

Cash at bank	£ 1,768,412	£ 2,768,747
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