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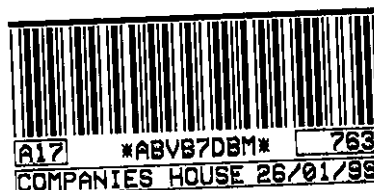
Deloitte Touche
Tohmatsu

Company Registration No. 3029225

CVCP PROPERTIES PLC

Report and Financial Statements

31 July 1998



Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR

REPORT AND FINANCIAL STATEMENTS 1998

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Professor R J Bull
Dr K J R Edwards
Ms D Warwick (resigned 8 May 1998)
Professor G J Zellick

SECRETARY

Mr P Pendle

REGISTERED OFFICE

Woburn House
20 Tavistock Square
London
WC1H 9HQ

BANKERS

National Westminster Bank Plc
PO Box 83
Tavistock House
Tavistock Square
London
WC1H 9XA

SOLICITORS

Dibb Lupton Alsop
India Buildings
Water Street
Liverpool
L2 0NH

AUDITORS

Deloitte & Touche
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London
EC4A 4TR



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 1998.

ACTIVITIES

The main objectives of the company are general trading purposes on behalf of its shareholders, specifically for purchasing Woburn House, a major office and conference centre facility in Bloomsbury.

All shareholders are UK Universities in membership of the Committee of Vice-Chancellors and Principals of the Universities of the United Kingdom (CVCP (UUK)). The CVCP (UUK) is also a shareholder.

The company continues to manage schemes to benefit higher education institutions through the leasing and leasing back of academic buildings, thus enabling institutions to reclaim VAT on capital projects.

REVIEW OF DEVELOPMENTS

The leasing of offices at Woburn House has proved to be a successful source of income. The majority of the tenants are higher education sector organisations. The main tenant is CVCP, which uses the building as its headquarters and as a conference centre.

The company's current loans with various higher education agencies and the National Westminster Bank were £844,042 at 31 July 1998.

RESULTS

The directors do not propose to make a dividend (1997- £ nil). The profit before taxation for the year was £19,344 (1997 - loss £129,373). The result after tax has been transferred from the profit and loss reserve.

FIXED ASSETS

The company's main fixed asset is Woburn House, purchased for £3,000,000. The building was revalued on 9 December 1998 by Chesterton Property Consultants. The value is considered acceptable in relation to the current carrying value in the balance sheet.

DIRECTORS AND THEIR INTERESTS

The current directors are set out on page 1. Ms Diana Warwick served throughout the period and resigned on 8 May 1998. The directors received no remuneration. None of the directors had a beneficial interest in any contract with the company or any interests in its shares.

**AUDITORS**

The directors have exercised their powers and appointed Deloitte & Touche as auditors. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

POLICY ON PAYMENT OF CREDITORS

The company operates two policies in respect of payment of creditors. With regard to lease and leaseback agreements, payment to Universities in respect of rent is made on receipt of payment by the university of rent due to CVCP. Payment to other creditors is made within 30 days. At the year-end, the number of creditor days was 10 days.

YEAR 2000

The Board of CVCP Properties plc has approved an action plan which details the appropriate action the company plans to take, to help deal with the problems resulting from "The Year 2000 Bug".

Approved by the Board of Directors
and signed on behalf of the Board

Professor R J Bull
Director

15/1/1999



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 as at the end of the financial year 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 and statements of recommended practice have been followed;
- prepare the financial statements on a 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 MEMBERS OF CVCP PROPERTIES PLC

We have audited the financial statements on pages 6 to 13, which have been prepared under the accounting policies, set out on page 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the 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 July 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Deloitte & Touche

Chartered Accountants and

Registered Auditors

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**Deloitte Touche
Tohmatsu**

Aberdeen, Bath, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.


CVCP PROPERTIES PLC
PROFIT AND LOSS ACCOUNT

Year ended 31 July 1998

	Note	Year to 31 July 1998 £	Year to 31 July 1997 £
TURNOVER		2,891,326	1,852,870
Administrative expenses		(55,608)	(152,628)
Other operating expenses		<u>(2,749,525)</u>	<u>(1,864,404)</u>
OPERATING PROFIT/(LOSS)	3	86,193	(164,162)
Interest receivable		17,778	48,937
Interest payable in respect of bank loans and overdrafts		<u>(84,627)</u>	<u>(14,148)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		19,344	(129,373)
Tax on profit/(loss) on ordinary activities	5	<u>(40,449)</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED (FROM)/TO RESERVES		(21,105)	(129,373)
Retained (loss)/profit brought forward		<u>(108,471)</u>	<u>20,902</u>
Loss carried forward in shareholders' funds		<u>(129,576)</u>	<u>(108,471)</u>

There are no recognised gains or losses for the current or preceding year other than those recorded in the profit and loss account above.

All operations are continuing.


CVCP PROPERTIES PLC
BALANCE SHEET
31 July 1998

	Note	31 July 1998 £	31 July 1997 £
FIXED ASSETS			
Tangible assets	6	<u>5,444,915</u>	<u>5,411,322</u>
CURRENT ASSETS			
Debtors	7	523,213	332,940
Cash at bank and in hand		<u>265,184</u>	<u>170,017</u>
		788,397	502,957
CREDITORS: amounts falling due within one year	8	<u>(916,303)</u>	<u>(662,750)</u>
NET CURRENT LIABILITIES		<u>(127,906)</u>	<u>(159,793)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,317,009	5,251,529
PROVISIONS FOR LIABILITIES AND CHARGES	9	(21,096)	
CREDITORS: amounts falling due more than one year	10	<u>(625,489)</u>	<u>(560,000)</u>
TOTAL NET ASSETS		<u><u>4,670,424</u></u>	<u><u>4,691,529</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	4,800,000	4,800,000
Profit and loss account		<u>(129,576)</u>	<u>(108,471)</u>
SHAREHOLDERS' FUNDS	11	<u><u>4,670,424</u></u>	<u><u>4,691,529</u></u>
Attributable to equity shareholders		4,120,424	4,141,529
Attributable to non-equity shareholders		550,000	550,000

These financial statements were approved by the Board of Directors on

15/1/1999

Signed on behalf of the Board of Directors

 Professor R J Bull
 Director


CVCP PROPERTIES PLC
CASH FLOW STATEMENT
Year ended 31 July 1998

	Note	1998 £	1997 £
Net cash inflow/(outflow) from operating activities	1	608,497	(190,423)
Returns on investments and servicing of finance	2	(66,849)	34,789
Capital expenditure - Purchase of tangible fixed assets		(206,298)	(2,058,956)
Net cash inflow/outflow before use of liquid resources		335,350	(2,214,590)
Financing	3	(240,183)	1,116,464
Increase/(decrease) in cash		95,167	(1,098,126)

NOTES TO THE CASH FLOW
1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	£	£
Operating profit/ (loss)	86,193	(164,162)
Depreciation charge	172,705	142,164
Increase in debtors	(210,583)	(127,978)
Increase/(decrease) in creditors	560,182	(40,447)
Net cash inflow/(outflow) from operating activities	608,497	(190,423)

2. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	£	£
Interest received	17,778	48,937
Interest paid	(84,627)	(14,148)
Net cash (outflow)/ inflow from returns on investments and servicing of finance	(66,849)	34,789

3. FINANCING

	£	£
Cash received as payment for share capital	20,310	11,929
Debt due within a year:		
repayment of loan	(325,982)	-
increase in loans	-	544,535
Debt due beyond a year:		
increase in loans	65,489	560,000
	(240,183)	1,116,464



CVCP PROPERTIES PLC

4. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £	1997 £
Increase/ (decrease) in cash in the period	95,167	(1,098,126)
Cash inflow/(outflow) from decrease/ (increase) in debt	<u>260,493</u>	<u>(1,104,535)</u>
Change in funds/ (debt)	355,660	(2,202,661)
Net (debt)/ funds at 1 August	<u>(934,518)</u>	<u>1,268,143</u>
Net debt at 31 July	<u>(578,858)</u>	<u>(934,518)</u>

5. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 1997 £	Cashflows £	At 31 July 1998 £
Cash in hand at bank	170,017	95,167	265,184
Debt due within one year	(544,535)	325,982	(218,553)
Debt due after one year	<u>(560,000)</u>	<u>(65,489)</u>	<u>(625,489)</u>
	<u>(934,518)</u>	<u>355,660</u>	<u>(578,858)</u>

**NOTES TO THE ACCOUNTS**
Year ended 31 July 1998**CVCP PROPERTIES PLC****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.

Tangible Fixed Assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Long leasehold land and buildings	over fifty years
Furniture and equipment	over four years

Deferred Taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that the tax will arise.

2. TURNOVER

The main objectives of the company are general trading purposes on behalf of its shareholders. All activities derive in the United Kingdom.

3. OPERATING PROFIT/ (LOSS)

	1998 £	1997 £
Operating profit/ (loss) is after crediting/(charging):		
Rents receivable in respect of operating leases	2,396,897	1,379,373
Depreciation:		
Long leasehold land and buildings	(110,477)	(108,428)
Furniture and equipment	(62,228)	(33,736)
Auditors' remuneration - audit fees	(4,400)	(4,400)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company had no employees in either year.
None of the directors received any remuneration during the year (1997 - £ nil).


CVCP PROPERTIES PLC
5. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

	1998 £	1997 £
United Kingdom Corporation tax at 21%	(19,353)	-
Deferred taxation	(21,096)	-
	<u>(40,449)</u>	<u>-</u>

6. TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £	Furniture and equipment £	Total £
Cost			
At 1 August 1997	5,421,413	132,073	5,553,486
Additions	102,389	103,909	206,298
At 31 July 1998	<u>5,523,802</u>	<u>235,982</u>	<u>5,759,784</u>
Depreciation			
At 1 August 1997	108,428	33,736	142,164
Charge for the year	110,477	62,228	172,705
At 31 July 1998	<u>218,905</u>	<u>95,964</u>	<u>314,869</u>
Net book value			
At 31 July 1998	<u>5,304,897</u>	<u>140,018</u>	<u>5,444,915</u>
At 31 July 1997	<u>5,312,985</u>	<u>98,337</u>	<u>5,411,322</u>

7. DEBTORS

	1998 £	1997 £
Trade debtors	43,526	72,603
Taxation and social security	-	191,795
Called up share capital not paid:		
Due within one year	16,094	20,309
Due after more than one year	32,138	48,233
Prepayments and accrued income	431,455	-
	<u>523,213</u>	<u>332,940</u>


CVCP PROPERTIES PLC
NOTES TO THE ACCOUNTS

Year ended 31 July 1998

8. CREDITORS: Amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	218,553	544,535
Trade creditors	108,493	28,788
Taxation and social security	35,158	84,257
Accruals and deferred income	554,099	5,170
	<u>916,303</u>	<u>662,750</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £	1997 £
Deferred taxation movement for the year		
Opening balance	-	-
Current year charge	(21,096)	-
Closing balance	<u>(21,096)</u>	<u>-</u>
 The amounts of deferred taxation in the accounts are:		
Capital allowances in excess of depreciation	<u>(21,096)</u>	<u>-</u>
	<u>(21,096)</u>	<u>-</u>

There was no deferred taxation which was unprovided for at 31 July 1998 or 1997

10. CREDITORS: Amounts falling due after more than one year

	1998 £	1997 £
Bank loans and overdrafts falling due:		
between one and two years	218,553	140,000
between two and five years	406,936	420,000
	<u>625,489</u>	<u>560,000</u>

Security in the form of legal mortgage with full title guarantees over the leasehold premises and floating securities over all moveable plant, machinery, and equipment have been given over the total of the bank loans and overdrafts falling due in one year or less or on demand and after more than one year.

11. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	1998 £	1997 £
Loss attributable to members of the company	<u>(21,105)</u>	<u>(129,373)</u>
Net decrease in shareholders funds	<u>(21,105)</u>	<u>(129,373)</u>
Opening shareholders' funds	4,691,529	4,820,902
Closing shareholders' funds	<u>4,670,424</u>	<u>4,691,529</u>



CVCP PROPERTIES PLC

NOTES TO THE ACCOUNTS
Year ended 31 July 1998

12. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
4,450,000 ordinary shares of £1 each	4,450,000	4,450,000
550,000 6% non-cumulative preference shares of £1 each	<u>550,000</u> <u>5,000,000</u>	<u>550,000</u> <u>5,000,000</u>
Called up and allocated		
107,295 ordinary shares of £1 each (partly paid)	107,295	107,295
4,142,705 ordinary shares of £1 each (fully paid)	4,142,705	4,142,705
550,000 6% non-cumulative preference shares of £1 each (fully paid)	<u>550,000</u> <u>4,800,000</u>	<u>550,000</u> <u>4,800,000</u>

The 6% non-cumulative preference shares of £1 each entitle the holder to receive a preferential dividend at the rate of 6% on the paid-up capital in priority to any transfer or any rights of the holders on ordinary shares (non-cumulative). Since the company is carrying forward a loss, no dividend is payable. In all other respects the preference shares rank pari passu with ordinary shares: they are defined as non-equity shares under Financial Reporting Standard 4.

13. CONTROLLING PARTIES

All shareholders are UK Universities in membership of the Committee of Vice-Chancellors and Principals of the United Kingdom. The CVCP (UUK) is also a shareholder. The company acts as a business vehicle for its shareholders.

The accounts include transactions and balances with related parties as follows:

Included in turnover:	1998 £	1997 £
Lease/leaseback income (including professional fees which the company paid over to Price Waterhouse)	2,354,090	1,852,130
Interest on unpaid shares	3,713	9,177
Rental and service charge (April 1997 - July 1998)	298,234	-
Accountancy and administration charges	12,000	
	1998	1997
Included in expenditure		
Lease/ leaseback expenditure (excluding payments to Price Waterhouse)	2,327,837	1,201,890

There are no overall controlling parties.