

Portman Square Properties Limited

Report and Financial Statements

Year Ended

25 December 2001



BDO Stoy Hayward
Chartered Accountants

PORTMAN SQUARE PROPERTIES LIMITED

Annual report and financial statements for the year ended 25 December 2001

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Directors

L Sebba
R H Ashby
A M M Ross

Secretary and registered office

B C Davis, 465 Salisbury House, London Wall, London EC2M 5RQ

Company number

3872261

Auditors

BDO Stoy Hayward, Northside House, 69 Tweedy Road, Bromley, Kent BR1 3WA

PORTMAN SQUARE PROPERTIES LIMITED

Report of the directors for the year ended 25 December 2001

The directors present their report together with the audited financial statements for the year ended to 25 December 2001.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors recommend payment of an ordinary dividend amounting to £880,000 (2000 - £860,000).

Principal activities, trading review and future developments

The principal activity of the company continued to be that of property investment. The company's results are in line with the directors' expectations.

The directors expect the company to continue the principal activity for the foreseeable future.

Directors

The directors of the company during the year were:

L Sebba
R H Ashby
A M M Ross

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 departure disclosed and explained in the financial statements; and
- 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.

PORTMAN SQUARE PROPERTIES LIMITED

Report of the directors for the year ended 25 December 2001 (*Continued*)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

| | Ordinary shares of £1 each | |
|------------|----------------------------|------------------|
| | 25 December 2001 | 26 December 2000 |
| A M M Ross | - | - |
| L Sebba | - | - |
| R H Ashby | - | - |

The directors' interests in the shares of the parent undertaking are disclosed in the accounts of that company.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



B C Davis
Secretary

13 March 2002

PORTMAN SQUARE PROPERTIES LIMITED

Report of the independent auditors

To the shareholders of Portman Square Properties Limited

We have audited the financial statements of Portman Square Properties Limited for the year 25 December 2001 on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

PORTMAN SQUARE PROPERTIES LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 25 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'BDO Stoy Hayward', is written over the company name.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
Bromley

13 March 2002

PORTMAN SQUARE PROPERTIES LIMITED**Profit and loss account for the year ended 25 December 2001**

| | | 2001 £ | 2000 £ |
|--|----|-----------------------|-----------------------|
| Turnover | 2 | 3,091,007 | 2,915,888 |
| Cost of sales | | (561,755) | (443,692) |
| Gross profit | | <u>2,529,252</u> | <u>2,472,196</u> |
| Administrative expenses | | (8,172) | (8,045) |
| Operating profit | 3 | <u>2,521,080</u> | <u>2,464,151</u> |
| Net interest receivable | 4 | 65 | 2,239 |
| Profit on ordinary activities before taxation | | <u>2,521,145</u> | <u>2,466,390</u> |
| Tax on profit on ordinary activities | 6 | (758,528) | (738,531) |
| Profit on ordinary activities after taxation | | <u>1,762,617</u> | <u>1,727,859</u> |
| Dividends | 7 | (880,000) | (860,000) |
| Retained profit for the year | 12 | <u><u>882,617</u></u> | <u><u>867,859</u></u> |

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

The notes on pages 8 to 12 form part of these financial statements.

PORTMAN SQUARE PROPERTIES LIMITED

Statement of total recognised gains and losses for the year ended 25 December 2001

| | 2001 £ | 2000 £ |
|---|------------------|------------------|
| Profit for the financial year | 1,762,617 | 1,727,859 |
| Unrealised surplus on revaluation of properties | 1,200,000 | 5,294,600 |
| | <hr/> | <hr/> |
| Total recognised gains and losses relating to the year | 2,962,617 | 7,022,459 |
| | <hr/> | <hr/> |

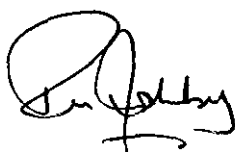
The notes on pages 8 to 12 form part of these financial statements.

PORTMAN SQUARE PROPERTIES LIMITED

Balance sheet at 25 December 2001

| | Note | 2001 £ | 2001 £ | 2000 £ | 2000 £ |
|---|------|--------------|--------------|--------------|--------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 35,300,000 | | 34,100,000 |
| Current assets | | | | | |
| Debtors | 9 | 703,796 | | 333,883 | |
| Creditors: amounts falling due within one year | 10 | (25,463,339) | | (25,976,043) | |
| Net current liabilities | | | (24,759,543) | | (25,642,160) |
| Net assets | | | 10,540,457 | | 8,457,840 |
| Capital and reserves | | | | | |
| Called up share capital | 11 | | 1 | | 1 |
| Revaluation reserve | 12 | | 8,794,600 | | 7,594,600 |
| Profit and loss account | 12 | | 1,745,856 | | 863,239 |
| Shareholders' funds – equity interests | 13 | | 10,540,457 | | 8,457,840 |

The financial statements were approved by the Board on 13 March 2002.



R H Ashby
Director

The notes on pages 8 to 12 form part of these financial statements.

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2001

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with applicable accounting standards. The company has taken advantage of the provisions in Financial Reporting Standard No 1 and has not prepared a cash flow statement. The following principal accounting policies have been applied:

Turnover

Turnover represents rents and service charges receivable.

Tangible fixed assets and depreciation

Investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice No 19. The directors consider that, as these properties are not held for consumption, but for investment potential, to depreciate them would not give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. The directors consider that it would be neither practical or of real value to determine the level of the depreciation charge.

Pensions

The cost of the company's contributions to personal pension plans are charged to the profit and loss account in the period to which they reflect.

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.

2 Turnover

| | 2001 £ | 2000 £ |
|----------------------------|------------------|------------------|
| Rents receivable | 2,628,064 | 2,507,241 |
| Service charges receivable | 462,943 | 408,647 |
| | <u>3,091,007</u> | <u>2,915,888</u> |

3 Operating profit

| | 2001 £ | 2000 £ |
|--|--------------|--------------|
| Operating profit is stated after charging: | | |
| Auditors' remuneration | 2,512 | 2,507 |
| | <u>2,512</u> | <u>2,507</u> |

PORTMAN SQUARE PROPERTIES LIMITEDNotes forming part of the financial statements for the year ended 25 December 2001 (*Continued*)**4 Net interest receivable and similar income**

| | 2001 £ | 2000 £ |
|---|-----------|--------------|
| Other interest receivable | 2,664 | 2,239 |
| Interest payable on late payment of corporation tax | (2,599) | - |
| | <u>65</u> | <u>2,239</u> |

5 Employees

The average monthly employees (excluding directors) during the year was:

| | 2001 Number | 2000 Number |
|-------------------------|----------------|----------------|
| Administration | 1 | 1 |
| | <u>£</u> | <u>£</u> |
| Employment costs | | |
| Wages and salaries | 29,575 | 28,250 |
| Social security costs | 3,002 | 2,914 |
| Other pension costs | 2,468 | 2,260 |
| | <u>35,045</u> | <u>33,424</u> |

The directors did not receive any emoluments during the year.

6 Taxation

| | 2001 £ | 2000 £ |
|--------------------|-----------|-----------|
| UK corporation tax | 758,528 | 738,531 |

7 Dividends

| | 2001 £ | 2000 £ |
|-------------------------|-----------|-----------|
| Ordinary final proposed | 880,000 | 860,000 |

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2001 (*Continued*)

8 Tangible fixed assets

| | Leasehold investment property £ |
|--|--|
| Valuation | |
| At 26 December 2000 | 34,100,000 |
| Additions | - |
| Revaluation | 1,200,000 |
| | <hr/> |
| At 25 December 2001 | 35,300,000 |
| | <hr/> |
| Depreciation | |
| At 26 December 2000 and 25 December 2001 | - |
| | <hr/> |
| Net book value | |
| At 25 December 2001 | 35,300,000 |
| | <hr/> |
| Net book value | |
| At 25 December 2000 | 34,100,000 |
| | <hr/> |
| Historical cost at 26 December 2000 and 25 December 2001 | 26,505,400 |
| | <hr/> |

The properties were valued by Insignia Richard Ellis, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors on basis of open market value as at 25 December 2001 at a total of £35,300,000 (2000 - £34,100,000). The properties are held as long term investments and no allowance has been made for tax on capital gains which would become payable if any properties were sold at the amount at which they are valued. In the opinion of the directors, this contingent liability amounts to £5,600,000 (2000 - £5,290,000).

9 Debtors

| | 2001 £ | 2000 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 688,511 | 319,596 |
| Prepayments and accrued income | 15,285 | 14,287 |
| | <hr/> | <hr/> |
| | 703,796 | 333,883 |
| | <hr/> | <hr/> |

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2001 *(Continued)*

10 Creditors: amounts falling due within one year

| | 2001 £ | 2000 £ |
|---------------------------------------|-------------------|-------------------|
| Amounts owed to parent undertaking | 23,090,447 | 23,665,441 |
| Proposed dividend | 880,000 | 860,000 |
| Corporation tax | 417,933 | 476,531 |
| Other taxes and social security costs | 240,566 | 228,462 |
| Other creditors | 21,180 | 14,394 |
| Accruals and deferred income | 813,213 | 731,215 |
| | <u>25,463,339</u> | <u>25,976,043</u> |

11 Share capital

| | | |
|---|-------------------|-------------------|
| Authorised | | |
| 100 Ordinary shares of £1 each | 100 | 100 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid | | |
| 1 Ordinary shares of £1 each | 1 | 1 |
| | <u> </u> | <u> </u> |

12 Statement of movements on reserves

| | Revaluation reserve £ | Profit and loss account £ |
|------------------------------|-----------------------------|---------------------------------|
| Balance at 26 December 2000 | 7,594,600 | 863,239 |
| Retained profit for the year | - | 882,617 |
| Revaluation during the year | 1,200,000 | - |
| | <u> </u> | <u> </u> |
| Balance at 25 December 2001 | 8,794,600 | 1,745,856 |
| | <u> </u> | <u> </u> |

PORTMAN SQUARE PROPERTIES LIMITED

Notes forming part of the financial statements for the year ended 25 December 2001 (*Continued*)

13 Reconciliation of movements in shareholders' funds

| | 2001 £ | 2000 £ |
|-------------------------------------|-------------------|------------------|
| Profit for the financial year | 1,762,617 | 1,727,859 |
| Dividends | (880,000) | (860,000) |
| | <hr/> 882,617 | <hr/> 867,859 |
| Other recognised gains and losses | 1,200,000 | 5,294,600 |
| | <hr/> 2,082,617 | <hr/> 6,162,459 |
| Net addition to shareholders' funds | 2,082,617 | 6,162,459 |
| Opening shareholders' funds | 8,457,840 | 2,295,381 |
| | <hr/> 10,540,457 | <hr/> 8,457,840 |
| Closing shareholders' funds | <u>10,540,457</u> | <u>8,457,840</u> |

14 Ultimate parent company and control

The immediate parent company is Warnford Investments PLC which owns and controls 100% of the company's issued share capital. The ultimate control is held by the Sebba family and related parties who together hold a controlling interest in the company.

The smallest and largest group of undertakings of which the company is a member, that prepare consolidated accounts, is headed by Warnford Investments PLC.

Group accounts for Warnford Investments PLC are available to the public on payment of the appropriate fee from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

15 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirements to make disclosures concerning related parties.

16 Tenants deposits

£21,180 (2000 - £14,394) has been deposited by tenants as security for their obligation under their leases.

17 Pension costs

The company contributes to personal pension plans of individual employees. The pension cost charge represents contributions payable by the company to the plans and amounted to £2,468 (2000 - £2,260).