

CHESTERTON PLC
REPORT AND ACCOUNTS
30 JUNE 2000
Registered number 2014305



CHESTERTON PLC**DIRECTORS**

M R Benson
G M Black
I J Fleming
M H Holmes
A B McKay
D N Walker

SECRETARY

W A Heaney
F A Recker

BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

SOLICITORS

Osborne Clarke
Hillgate House
26 Old Bailey
London
EC4M 7HW

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London
SE1 7EU

REGISTERED OFFICE

York House
45 Seymour Street
London
W1H 7JT

CHESTERTON PLC

DIRECTORS' REPORT

The directors submit their report and the audited accounts of the Company for the year ended 30 June 2000.

Principal activity

Chesterton plc is the principal trading subsidiary for the international property consultancy business of the Chesterton International Group in the UK and the major employer of the Group's UK staff.

At 30 June 2000 part of the trade and assets of Chesterton Scotland Limited were transferred into the Company.

Operating results and dividends

The profit for the year, after taxation, amounted to £7,668,000. The directors recommend a final dividend of £1,500,000 for the year.

Taxation status

During the year the Company was not a close company within the meaning of the Income and Corporation Taxes Act 1988 and this has not changed since the year end.

Employment policies

The Company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Company's policy is to offer employment to disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for re-training employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Charitable and political contributions

Donations made by the Company for charitable purposes in the UK amounted to £20,900 (1999: £16,270). In line with established Company policy, there were no contributions for political purposes.

Payments to suppliers

The Company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. At the year end, the Company had an average of 33 days purchases outstanding in creditors.

CHESTERTON PLC

Directors and their interests

The directors of the Company during the year were as follows:

M R Benson
 G M Black
 I J Fleming
 M H Holmes
 A B McKay
 T A S Russell (resigned 30 April 2000)
 D N Walker

G M Black, I J Fleming and M H Holmes were directors of Chesterton International plc, the Company's ultimate parent undertaking during the year to 30 June 2000. Their interests in the share capital of Chesterton International plc are disclosed in the accounts of that company.

The following directors who were in office at the year end, held interests in the share capital of the Company's ultimate parent undertaking during the year:-

Chesterton International plc Ordinary Shares of 5p

	At 1 July 1999	Acquired	At 30 June 2000
M R Benson	30,150	-	30,150
A B McKay	20,000	20,000	40,000
D N Walker	1,377,077	-	1,377,077

Chesterton International plc 1990 Executive Share Option Scheme Options over Ordinary Shares of 5p

	At 1 July 1999	Lapsed	At 30 June 2000
M R Benson	60,000	(10,000)	50,000
D N Walker	25,000	-	25,000

Chesterton International plc SAYE Scheme Options over Ordinary Shares of 5p

	At 1 July 1999	At 30 June 2000
M R Benson	14,583	14,583

Auditors

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

CHESTERTON PLC

Company Secretary

On 7 July 2000 A L Cossey resigned as Joint Secretary of the Company. F A Recker was appointed Joint Secretary on 12 October 2000 acting with W A Heaney.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Registered Office

The Company's registered office is York House, 45 Seymour Street, London W1H 7JT.

By Order of the Board



F A Recker
Secretary
11 January 2001

**Report of the auditors to the members of
Chesterton plc**

We have audited the accounts on pages 6 to 19 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

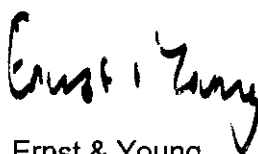
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London
11 January 2001

CHESTERTON PLC**Profit and loss account
for the year ended 30 June 2000**

	Notes	2000 £'000	1999 £'000
Turnover	2(a)	66,216	58,981
Operating costs	2(b)	(62,250)	(57,923)
Other operating income		394	839
Operating profit	3	<u>4,360</u>	<u>1,897</u>
Income from shares in group undertakings		4,996	-
Net interest payable and similar items	5	<u>(212)</u>	<u>(831)</u>
Profit on ordinary activities before tax		9,144	1,066
Tax on profit on ordinary activities	6	(1,476)	(142)
Profit for the year		<u>7,668</u>	<u>924</u>
Dividends	7	<u>(1,500)</u>	<u>-</u>
Retained Profit for the year		<u><u>6,168</u></u>	<u><u>924</u></u>

The Company has no recognised gains or losses other than those included in the profit and loss account above.

**Reconciliation of movements in shareholders' funds
for the year ended 30 June 2000**

	2000 £'000	1999 £'000
Profit for the year	7,668	924
Ordinary dividend	<u>(1,500)</u>	<u>-</u>
Net additions to shareholders' funds	6,168	924
Opening shareholders' funds	<u>(4,833)</u>	<u>(5,757)</u>
Closing shareholders' funds	<u><u>1,335</u></u>	<u><u>(4,833)</u></u>

CHESTERTON PLC

**Balance sheet
as at 30 June 2000**

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	8	3,902	1,987
Investments	9	<u>1,485</u>	<u>236</u>
		<u>5,387</u>	<u>2,223</u>
Current assets			
Stock	10	2,216	2,192
Debtors	11	32,349	23,763
Cash at bank and in hand		<u>-</u>	<u>1,224</u>
		34,565	27,179
Creditors: amounts falling due within one year	12	<u>(34,294)</u>	<u>(28,250)</u>
Net current assets/(liabilities)		<u>271</u>	<u>(1,071)</u>
Total assets less current liabilities		5,658	1,152
Creditors: amounts falling due after more than one year	13	(2,927)	(4,333)
Provisions for liabilities and charges	14	<u>(1,396)</u>	<u>(1,652)</u>
		<u>1,335</u>	<u>(4,833)</u>
Capital and reserves			
Called up share capital	15	700	700
Profit and loss account	16	<u>635</u>	<u>(5,533)</u>
Equity shareholders' funds		<u>1,335</u>	<u>(4,833)</u>

Approved by the Board on 11 January 2001

I J Fleming
Director



CHESTERTON PLC

Notes to the accounts at 30 June 2000

1. Accounting policies

Basis of accounting

The Company's accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Group accounts

The company is exempt from preparing Group accounts under s228 of the Companies Act 1985 as it is included in the consolidated accounts of Chesterton International plc, the ultimate parent undertaking. The financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

In accordance with Financial Reporting Standard 1 - Cash Flow Statements, no statement of cash flows is required because the Company is a wholly owned subsidiary whose ultimate parent undertaking, Chesterton International plc, publishes a group cash flow statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down their cost to their estimated residual values by equal annual instalments over the period of their expected useful lives, which are considered to be:

Short leasehold property	Lease term
Motor vehicles	4 years
Office equipment	Between 3 and 20 years

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as on a straight line basis over the period of the lease.

Provision is made for the future rent expense and related costs of leasehold properties not occupied by the Company.

Reverse lease premiums

Reverse lease premiums received are held within deferred income and taken to profit and loss account on a straight line basis over the period to the first rent review date.

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****1. Accounting policies (continued)****Work in progress and revenue recognition**

Income from professional and consulting business is recognised either on completion or on an ongoing basis over the duration of a contract, depending on the nature of work undertaken. Related work in progress is stated at the lower of cost (including attributable overheads) and net realisable value. Agency income is recognised by reference to unconditional exchange of contract and prior to this recognition no value is attributed to work in progress.

Deferred taxation

Deferred tax is provided only in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Pensions

Employees of the Company may be eligible to join the group pension schemes, particulars of which are contained in the accounts of Chesterton International plc.

The Company pays pensions direct to several former employees. Full provision, based on actuarial advice, is made for the estimated liability.

The Company operates two pension schemes covering the majority of its employees. Contributions to the defined contribution schemes are charged to the profit and loss account as incurred. The expected cost of pensions in respect of the defined benefit pension scheme is charged to the profit and loss account, so as to spread the cost of pensions over the service lives of employees. Variations from the regular cost are spread over the expected service lives of current employees in the scheme.

Investments

Investments are stated at cost less provisions for any permanent diminution in value.

2. Turnover and operating costs**2(a) Turnover**

Turnover comprises commissions and fees receivable and rechargeable costs incurred as principal on behalf of clients. Turnover is exclusive of appropriate sales taxes.

The Company's activities represent one class of business for the purposes of segmental reporting, that of property related services provided principally in the UK.

	2000	1999
Analysis of turnover:	£'000	£'000
Total net fee income	56,862	49,715
Costs recharged to clients	9,354	9,266
	<u>66,216</u>	<u>58,981</u>

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****2. Turnover and operating costs (continued)****2(b) Operating costs**

	2000 £'000	1999 £'000
Staff costs	(33,173)	(31,461)
Depreciation and amortisation	(879)	(429)
Other operating charges	(28,198)	(26,033)
	<u>(62,250)</u>	<u>(57,923)</u>

3. Operating profit

	2000 £'000	1999 £'000
Operating profit is stated after		
Charging/(crediting):		
Wages and salaries	29,224	27,759
Social security costs	2,748	2,472
Other pension costs (excluding unfunded pensions)	1,201	1,230
Depreciation of owned assets	435	287
Depreciation of assets held under finance leases and hire purchase contracts	444	142
Profit on disposal of tangible fixed assets	(50)	(49)
Rents receivable	<u>(8)</u>	<u>(218)</u>

Costs recharged to clients (included in the above):

Wages and salaries	145	211
Social security costs	15	14
Other pension costs (excluding unfunded pensions)	<u>7</u>	<u>3</u>
	167	228
Other costs recharged	<u>9,187</u>	<u>9,038</u>
	<u>9,354</u>	<u>9,266</u>

Total property rentals and hire of plant and machinery are as follows:

- property rentals	3,720	3,940
- hire of plant and machinery	<u>2,333</u>	<u>2,319</u>

Property rentals include costs recharged to the Company by Chesterton International plc and hire of plant and machinery includes costs recharged by Chesterton Leasing Limited.

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****4. Directors' emoluments, auditors' remuneration and staff numbers**

Directors' emoluments were as follows:

	2000 £'000	1999 £'000
Aggregate emoluments	633	533
Company pension contributions to money purchase schemes	<u>38</u>	<u>21</u>
	<u>671</u>	<u>554</u>

Retirement benefits are accruing to four directors under money purchase schemes and to two directors under a defined benefit scheme.

The amounts in respect of the highest paid director are as follows:

	2000 £'000	1999 £'000
Aggregate emoluments	<u>154</u>	<u>98</u>
Defined benefit scheme:		
Accrued pension at end of year	<u>-</u>	<u>2</u>

None of the directors exercised any share options during the year.

The auditors' remuneration has been borne by Chesterton International plc.

The average number of employees of the Company during the year was 901 (1999: 1,054). Included in the above figures are 8 (1999: 12) personnel employed on behalf of clients.

5. Net interest payable

	2000 £'000	1999 £'000
Bank loans and overdrafts	488	1,244
Finance charges payable under finance leases and hire purchase contracts	79	39
Interest receivable	(543)	(522)
Unwinding of discount in provisions	<u>188</u>	<u>70</u>
	<u>212</u>	<u>831</u>

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****6. Tax on profit on ordinary activities**

The taxation charge/(credit) which is based on the taxable profit for the year comprises the following:

	2000 £'000	1999 £'000
UK Corporation tax – current year	1,267	113
UK Corporation tax – prior year	(53)	-
Group relief - current year	-	(6)
Deferred tax - current year	188	61
Deferred tax – prior year	74	(26)
	<u>1,476</u>	<u>142</u>

The corporation tax charge for the year ended 30 June 1999 recognises a credit of £328,000 relating to the leasehold property provision in accordance with the Inland Revenue Tax Notice (137/99) issued in July 1999.

7. Dividend

	2000 £'000	1999 £'000
On ordinary shares		
Proposed – 2.143p per share	<u>1,500</u>	<u>-</u>

CHESTERTON PLC

Notes to the accounts
at 30 June 2000

8. Tangible assets

	Short Leasehold land and buildings £'000	Office equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
1 July 1999	177	8,690	344	9,211
Additions	378	1,652	-	2,030
Fully depreciated assets written out	-	(4,844)	-	(4,844)
Disposals	-	(2,144)	(338)	(2,482)
Transfer (to)/from Group Companies	(29)	4,838	36	4,845
30 June 2000	<u>526</u>	<u>8,192</u>	<u>42</u>	<u>8,760</u>
Depreciation				
1 July 1999	14	6,959	251	7,224
Charge for the year	59	819	1	879
Fully depreciated assets written out	-	(4,844)	-	(4,844)
Disposals	-	(2,115)	(245)	(2,360)
Transfer (to)/from Group Companies	-	3,938	21	3,959
30 June 2000	<u>73</u>	<u>4,757</u>	<u>28</u>	<u>4,858</u>
Net book value				
30 June 2000	<u>453</u>	<u>3,435</u>	<u>14</u>	<u>3,902</u>
30 June 1999	<u>163</u>	<u>1,731</u>	<u>93</u>	<u>1,987</u>

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****8. Tangible assets (continued)**

Included in amounts for tangible assets at 30 June 2000 are the following amounts relating to finance leased assets and assets acquired under hire purchase contracts:

	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost			
30 June 2000	2,098	-	2,098
30 June 1999	5,370	274	5,644
Depreciation			
30 June 2000	1,104	-	1,104
30 June 1999	4,455	204	4,659
Net book value			
30 June 2000	994	-	994
30 June 1999	915	70	985

9. Investments

	Subsidiaries £'000	Other investments £'000	Own shares £'000	Total £'000
As at 1 July 1999	-	20	216	236
Additions	-	-	1,249	1,249
As at 30 June 2000	-	20	1,465	1,485

Own shares

The balance represents the cost of shares held by the Chesterton Employee Benefit Trust (EBT). The EBT was set up to acquire and hold shares in Chesterton International plc in order to fulfil future obligations under the Group's share option schemes and Long Term Incentive Plan. At 30 June 2000 the EBT held a total of 5,566,593 (1999: 1,316,593) shares with a market value at that date of £1,531,000 (1999: £303,000). None of these shares were specifically subject to option. The Company meets the administrative costs of the EBT.

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****9. Investments (continued)**

Details of the Company's subsidiary undertakings at 30 June 2000 are provided below:

<u>Direct subsidiaries:</u>	Principal activity	Country of incorporation or registration	Proportion of ordinary shares held
Chesterton Facilities and Property Management Limited	Holding company	England	100%
Chesterton Holdings Limited	Holding company	England	100%
<u>Indirect subsidiaries:</u>			
Chesterton Property Services Limited	Property management agents	England	100%
Chesterton QRS Limited	Facilities management	England	100%
Workplace Management Limited	Facilities management	England	100%

All subsidiary undertakings operate in the countries where they are incorporated or registered.

10. Stock

	2000 £'000	1999 £'000
Work in progress	<u>2,216</u>	<u>2,192</u>

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****11. Debtors**

	2000 £'000	1999 £'000
Trade debtors	12,059	10,688
Accrued income	3,030	1,863
Amounts owed by group undertakings	14,608	8,760
Other debtors	2,054	2,120
Prepayments	598	332
	<u>32,349</u>	<u>23,763</u>

Included in other debtors in 1999 was an amount of £250,000 deferred disposal consideration from the sale of the Cyril Sweett Group which was due after more than one year.

12. Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Bank overdraft	3,220	-
Bank loans	1,298	1,298
Obligations under finance leases and hire purchase contracts	462	283
Trade creditors	2,386	1,883
Amounts owed to parent undertaking	10,191	11,944
Amounts owed to other group undertakings	9,266	6,770
Amounts owed to associated undertakings	29	-
Corporation tax	766	122
Other taxation and social security	3,055	2,699
Other creditors	788	1,166
Accruals and deferred income	2,833	2,085
	<u>34,294</u>	<u>28,250</u>

13. Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Bank loans	2,390	3,685
Obligations under finance leases and hire purchase contracts	537	648
	<u>2,927</u>	<u>4,333</u>

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****13. Creditors: amounts falling due after more than one year (cont'd)****Bank loans**

A further analysis of loans is as follows:

	2000 £'000	1999 £'000
Repayable within one year	1,298	1,298
Between one and two years	797	1,298
Between two and five years	1,593	2,387
	<u>3,688</u>	<u>4,983</u>

The bank overdrafts and loans are all secured by a first mortgage debenture and supporting cross guarantees over the assets of the Group.

The rate of interest on the loans at 30 June 2000 was 1.5% above LIBOR.

14. Provisions for liabilities and charges

	Leasehold Property £'000	Unfunded pensions £'000	Deferred tax £'000	Total £'000
1 July 1999	1,092	1,312	(752)	1,652
Paid	(564)	(191)	-	(755)
Charged to the profit and loss account	49	-	262	311
Unwinding of discount	38	150	-	188
30 June 2000	<u>615</u>	<u>1,271</u>	<u>(490)</u>	<u>1,396</u>

Leasehold property

Provisions have been set up for the discounted future rental and other related costs of leasehold property not occupied by the Company. The provisions have been discounted using a discount factor of 7% and are expected to unwind over a period of up to 12 years.

Unfunded pensions

This provision is for annuities granted to former equity partners and former employees. Full provision, based on actuarial advice, is made for the estimated liability and is reviewed annually to allow for interest costs, changes in mortality assumptions and payments made.

Deferred tax

The main components of the deferred tax asset are timing differences on annuitants payments, being an asset of £381,000 (1999: £403,000), accelerated capital allowances being a liability of £53,000 (1999: £184,000 asset) and other timing differences being an asset of £162,000 (1999: £165,000). There was no unprovided deferred tax liability at 30 June 2000.

CHESTERTON PLC**Notes to the accounts
at 30 June 2000****15. Called up share capital**

	2000 £'000	1999 £'000
Authorised:		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid		
700,000 ordinary shares of £1 each	<u>700</u>	<u>700</u>

16. Profit & Loss

	£'000
At 1 July 1999	(5,533)
Retained profit for the year	<u>6,168</u>
At 30 June 2000	<u>635</u>

17. Financial commitmentsFinance leases and hire purchase contracts

	2000 £'000	1999 £'000
Amount due:		
Within one year	554	364
In the second to fifth year	<u>625</u>	<u>752</u>
	1,179	1,116
Finance charges allocated to future periods	<u>(180)</u>	<u>(185)</u>
	<u>999</u>	<u>931</u>
Falling due within one year	462	283
Falling due after more than one year	<u>537</u>	<u>648</u>
	<u>999</u>	<u>931</u>