

2014305

CHESTERTON PLC
REPORT AND ACCOUNTS
30 JUNE 1996



DIRECTORS

W H W Wells	- BA, FRICS (Chairman)
I J FLEMING	- MA, FCA

SECRETARY

W A Heaney	- LLB
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BANKERS

National Westminster Bank plc
32 Corn Street
Bristol
BS99 7UG

SOLICITORS

Osborne Clarke
Hillgate House
26 Old Bailey
London
EC4M 7HS

AUDITORS

Price Waterhouse
31 Great George Street
Bristol
BS1 5QD

REGISTERED OFFICE

54 Brook Street
London
W1A 2BU

REGISTERED NUMBER

2014305
England and Wales

DIRECTORS' REPORT

The Directors submit their report and the audited accounts of the Company for the year ended 30 June 1996.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITY

On 15 April 1996, Chesterton International plc, the ultimate parent company acquired the trade and tangible assets of Chestertons Residential from the Woolwich Building Society. On the same day the trade and tangible assets of Chestertons Residential were transferred to the company. The results of Chestertons Residential for the period since acquisition are shown on page 6.

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.

RESULT AND DIVIDEND

The retained profit for the year of £759,000 has been transferred to reserves (1995: £302,000). The Directors do not recommend the payment of a dividend for the year ended 30 June 1996 (1995: £Nil).

The accounts contain an adjustment relating to an accounting error in previous periods.

It was established that an element of double counting existed between certain commission income accruals on commercial property rentals calculated departmentally and a central adjustment for rental commission. The double count, totalling £579,000 had built up gradually over a number of years and therefore had no material impact on any one prior year's profits. This central adjustment has no impact whatsoever on our commercial property management accounting for clients which is managed separately and consistently receives clean RICS audit certificates.

Given the relative immateriality of this item to any one year's profit and to the balance sheet as a whole, they have been written off in the current year and separately highlighted in accordance with FRS3.

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.

DIRECTORS' REPORT

(continued)

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 £9,914 (1995: £Nil). In line with established Group 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.

DIRECTORS

The Directors of the Company during the year to 30 June 1996 were as follows:

W H W Wells
D A Palmer
G H W Ballantine

D A Palmer resigned as a Director of the company on 30 June 1996 and I J Fleming was appointed in his place with effect from 1 July 1996. G H W Ballantine resigned on 26 September 1996.

W H W Wells, G H W Ballantine and D A Palmer were Directors of Chesterton International plc, the company's ultimate parent company during the year to 30 June 1996. Their interests in the share capital of Chesterton International plc are disclosed in the accounts of that company.

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 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 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

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General meeting.

BY ORDER OF THE BOARD

W A HEANEY
Secretary



29 January 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF
CHESTERTON PLC

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We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention and 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 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 at 30 June 1996 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Bristol

29 January 1997

**PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 30 JUNE 1996**

	Notes	Before prior year charge 1996 £'000	Prior year charge (note 4) 1996 £'000	Total 1996 £'000	Total 1995 £'000
TURNOVER	2				
Continuing operations		54,004	(579)	53,425	4,000
Acquisition - Chestertons Residential		1,758	-	1,758	-
		-----	-----	-----	-----
		55,762	(579)	55,183	4,000
Staff costs	3	(27,400)	-	(27,400)	-
Depreciation		(1,289)	-	(1,289)	-
Other operating charges		(25,677)	-	(25,677)	(3,549)
Other operating income		1,268	-	1,268	-
		-----	-----	-----	-----
OPERATING PROFIT					
Continuing operations		2,255	(579)	1,676	451
Acquisition - Chestertons Residential		409	-	409	-
		-----	-----	-----	-----
		2,664	(579)	2,085	451
Net interest payable and similar charges	6	(1,162)	-	(1,162)	-
		-----	-----	-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,502	(579)	923	451
Tax on profit on ordinary activities	7	(355)	191	(164)	(149)
		-----	-----	-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR AND AMOUNT TRANSFERRED TO RESERVES	15	1,147	(388)	759	302
		=====	=====	=====	=====

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 1996**

	1996 £'000	1995 £'000
Profit for the year and net additions to shareholders' funds	759	302
Opening shareholders' funds	891	589
	-----	-----
Closing shareholders' funds	1,650	891
	=====	=====

The notes on pages 8 to 17 form an integral part of these accounts.

**BALANCE SHEET
AT 30 JUNE 1996**

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
FIXED ASSETS			
Tangible assets	8	2,982	4,218
Investments	9	-	250
		-----	-----
		2,982	4,468
		-----	-----
CURRENT ASSETS			
Work in progress		5,501	3,266
Debtors	10	32,988	31,360
Cash at bank and in hand		21	17
		-----	-----
		38,510	34,643
CREDITORS: Amounts falling due within one year - including convertible loan stock	11	(27,285)	(25,820)
		-----	-----
NET CURRENT ASSETS		11,225	8,823
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		14,207	13,291
CREDITORS: Amounts falling due after more than one year	12	(12,334)	(11,747)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(223)	(653)
		-----	-----
		1,650	891
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	14	700	700
Profit and loss account	15	950	191
		-----	-----
EQUITY SHAREHOLDERS' FUNDS		1,650	891
		=====	=====

Approved by the Board on 29 January 1997

I J FLEMING
DIRECTOR



The notes on pages 8 to 17 form an integral part of these accounts.

NOTES TO THE ACCOUNTS
30 JUNE 1996**1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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 incurred.

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.

NOTES TO THE ACCOUNTS

30 JUNE 1996 (continued)

1. ACCOUNTING POLICIES

(continued)

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.

Pensions

The Company is a member of the Group pension schemes, particulars of which are contained in the parent company accounts.

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

The Group operates five 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 Group's 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.

Cash flow statement

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

2. TURNOVER

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

The company's activities represent one class of business in the United Kingdom for the purposes of segmental reporting, that of property consultancy. Included in turnover are costs recharged to clients of £5,531,000.

NOTES TO THE ACCOUNTS
30 JUNE 1996 (continued)

3. OPERATING PROFIT

	<u>1996</u> £'000	<u>1995</u> £'000
OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING):		
Wages and salaries	24,523	-
Social security costs	2,024	-
Other pension costs	853	-
Depreciation of owned assets	124	-
Depreciation of assets held under finance leases and hire purchase contracts	1,165	-
Rents receivable	(505)	-
	-----	-----
Total property rentals and hire of plant and machinery are as follows:		
- property rentals	1,507	-
- hire of plant and machinery	2,035	-
	-----	-----

For the year ended 30 June 1995 expenses represent costs and charges associated with the trade transferred from Chesterton International plc.

Acquisition

On 15 April 1996, the trade and tangible assets of Chestertons Residential were transferred to the Company at book value from Chesterton International plc.

4. PRIOR YEAR CHARGE

The prior year charge of £579,000 (1995: £Nil) has arisen from a review of the method of calculation of year end accrued income. This has built up over a number of years and there has been no material impact on the trading result of any one year.

NOTES TO THE ACCOUNTS

30 JUNE 1996 (continued)

5. DIRECTORS' EMOLUMENTS, AUDITORS' REMUNERATION AND STAFF NUMBERS

None of the Directors received any emoluments in respect of their services to the Company during the year (1995: £Nil).

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

On 30 June 1995 the employees of Chesterton International plc were transferred to the Company.

The average number of employees of the Company during the year was 1,078 (1995: Nil).

6. NET INTEREST PAYABLE

	<u>1996</u> £'000	<u>1995</u> £'000
Bank loans, overdrafts and other loans	1,157	-
Finance charges payable under finance leases and hire purchase contracts	211	-
Interest receivable	(206)	-
	-----	-----
	1,162	-
	=====	=====

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge which is based on the taxable profit for the year comprises the following:

	<u>1996</u> £'000	<u>1995</u> £'000
UK Corporation tax at 33% - current year	454	149
UK Corporation tax at 33% - prior year	58	-
Deferred tax - current year	105	-
Deferred tax - prior year	(453)	-
	-----	-----
	164	149
	=====	=====

The prior year release of deferred tax reflects the significant reduction in investment in fixed assets following the establishment of Chesterton Leasing Limited.

NOTES TO THE ACCOUNTS
30 JUNE 1996 (continued)

8. TANGIBLE ASSETS

	Short leasehold Land and <u>buildings</u> £'000	Office <u>equipment</u> £'000	Motor <u>vehicles</u> £'000	<u>Total</u> £'000
COST				
1 July 1995	80	7,539	2,432	10,051
Additions	-	67	76	143
Transfer from parent and fellow subsidiary undertakings	-	163	-	163
Disposals	-	(151)	(312)	(463)
	-----	-----	-----	-----
30 June 1996	80	7,618	2,196	9,894
	-----	-----	-----	-----
DEPRECIATION				
1 July 1995	(5)	(5,284)	(544)	(5,833)
Disposals	-	76	134	210
Charge for the year	(7)	(827)	(455)	(1,289)
	-----	-----	-----	-----
30 June 1996	(12)	(6,035)	(865)	(6,912)
	-----	-----	-----	-----
NET BOOK VALUE				
30 June 1996	68	1,583	1,331	2,982
	=====	=====	=====	=====
30 June 1995	75	2,255	1,888	4,218
	=====	=====	=====	=====

Included in amounts for tangible assets at 30 June 1996 are the following amounts relating to finance leased assets and assets acquired under hire purchase contracts:

	Office <u>equipment</u> £'000	Motor <u>vehicles</u> £'000	<u>Total</u> £'000
COST			
30 June 1996	7,388	1,888	9,276
	=====	=====	=====
30 June 1995	7,539	2,104	9,643
	=====	=====	=====
DEPRECIATION			
30 June 1996	6,005	713	6,718
	=====	=====	=====
30 June 1995	5,284	407	5,691
	=====	=====	=====
NET BOOK VALUE			
30 June 1996	1,383	1,175	2,558
	=====	=====	=====
30 June 1995	2,255	1,697	3,952
	=====	=====	=====

NOTES TO THE ACCOUNTS
30 JUNE 1996 (continued)

9. INVESTMENTS

	Shares in subsidiary companies £'000
As at 1 July 1995	250
Transfer at cost to parent company	(250)

As at 30 June 1996	-
	=====

10. DEBTORS

	<u>1996</u> £'000	<u>1995</u> £'000
Trade debtors	14,659	14,847
Accrued income	3,533	3,730
Amounts owed by group undertakings	12,852	10,587
Other debtors	1,390	1,636
Prepayments	554	560
	-----	-----
	32,988	31,360
	=====	=====

At 30 June 1996, there were no significant debtors due after more than one year (1995: £Nil).

11. CREDITORS : Amounts falling due within one year

	<u>1996</u> £'000	<u>1995</u> £'000
Bank overdrafts	2,242	3,672
Bank loans	779	1,050
Convertible loan stock	350	350
Loan notes	248	248
Obligations under finance leases	661	653
Obligations under hire purchase contracts	332	371
Trade creditors	1,426	1,526
Corporation tax	746	1,177
Other taxation and social security	2,575	2,525
Amounts owed to parent undertaking	11,805	8,411
Amounts owed to other group undertakings	3,208	2,747
Other creditors	1,955	2,525
Accruals and deferred income	958	565
	-----	-----
	27,285	25,820
	=====	=====

NOTES TO THE ACCOUNTS
30 JUNE 1996 (continued)

11. CREDITORS : Amounts falling due within one year
(continued)

Bank and other borrowings (notes 11 and 12)

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

The bank loans include a UK term loan, a UK medium term loan and a US term loan.

The UK term loan of £7,000,000 is repayable over twenty equal quarterly instalments and commencement of repayments, has been re-negotiated during the year from November 1995 to November 1997. The rate of interest payable is 1 5/8% above LIBOR.

The UK medium term loan of £1,500,000 is repayable over twenty monthly instalments which commenced in April 1996. The rate of interest is 1 1/2% above LIBOR.

The US loan of £987,000 is repayable in one lump sum in November 2002. The rate of interest is 1 1/8% above costs of funds.

The loan notes are repayable over twenty eight equal quarterly instalments which commenced in April 1995. The loan notes are interest free.

Convertible loan stock

£700,000 of unsecured interest free convertible loan stock was issued by the company's ultimate parent company Chesterton International plc to the vendors of Cyril Sweett during the year ended 30 June 1995 and was convertible in two blocks of £350,000 at the option of the issuers or the holders. The first block was converted on 10 December 1995 and the second on the 10 December 1996 after the year end. All shares were issued by Chesterton International plc and the charge set against the creditor in the company through an intercompany transfer.

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

	<u>1996</u> £'000	<u>1995</u> £'000
Bank loans	8,681	6,846
Loan notes	1,180	1,429
Convertible loan stock	-	350
Amounts owed to parent undertaking	-	702
Deferred income	1,124	-
Obligations under finance leases	547	1,209
Obligations under hire purchase contracts	802	1,211
	----- 12,334 =====	----- 11,747 =====

NOTES TO THE ACCOUNTS
30 JUNE 1996 (continued)

12. CREDITORS : Amounts falling due after more than one year (continued)

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

A further analysis of bank loans and loan notes falling due after more than one year is provided below:

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts repayable other than by instalments due after five years	987	898
Amounts repayable by instalments which in part fall due after more than five years	8,180	7,377
Amounts repayable by instalments which all fall due within five years	694	-
	----- 9,861 =====	----- 8,275 =====
Bank loans and loan notes are repayable as follows:		
Between one and two years	1,993	1,648
Between two and five years	4,945	4,945
In five years or more	2,923	1,682
	----- 9,861 =====	----- 8,275 =====
Instalments falling due after more than five years	1,936 =====	784 =====

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Unfunded</u> <u>Pensions</u> £'000	<u>Deferred</u> <u>tax</u> £'000	<u>Total</u> £'000
1 July 1995	937	(284)	653
Paid	(177)	-	(177)
Deferred tax asset transferred in	-	5	5
Charged/(released) to the profit and loss account	90	(348)	(258)
	----- 850 =====	----- (627) =====	----- 223 =====

The main components of the deferred tax asset are timing differences on annuitants payments, being an asset of £281,000 (1995: £309,000), accelerated capital allowances being an asset of £237,000 (1995: £111,000 liability) and other timing differences being an asset of £109,000 (1995: £86,000). There was no unprovided deferred tax liability at 30 June 1996.

NOTES TO THE ACCOUNTS
30 JUNE 1996 (continued)

14. CALLED UP SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
Authorised:		
1,000,000 ordinary shares of £1 each	1,000	1,000
	=====	=====
Allotted, issued and fully paid		
700,000 ordinary shares of £1 each	700	700
	=====	=====

15. PROFIT AND LOSS RESERVE

	£'000
At 1 July 1995	191
Retained profit for the year	759

At 30 June 1996	950
	=====

16. FINANCIAL COMMITMENTS

Finance leases and hire purchase contracts

	<u>1996</u> £'000	<u>1995</u> £'000
Amount due:		
Within one year	1,170	1,265
In the second to fifth year	1,641	2,755
	-----	-----
	2,811	4,020
Finance charges allocated to future periods	(469)	(576)
	-----	-----
	2,342	3,444
	=====	=====
Falling due within one year	993	1,024
Falling due after more than one year	1,349	2,420
	-----	-----
	2,342	3,444
	=====	=====

Operating leases

The estimated commitment for the Company in respect of non land and buildings operating leases payable in the next financial year is analysed as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Leases expiring within one year	165	181
Leases expiring within two to five years	639	387
	-----	-----
	804	568
	=====	=====

NOTES TO THE ACCOUNTS
30 JUNE 1996 (continued)**17. CAPITAL COMMITMENTS**

	<u>1996</u> £'000	<u>1995</u> £'000
Contracted but not provided for	193 =====	111 =====

18. ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Chesterton International plc, a company incorporated in England and Wales. Chesterton International plc is the parent company of the only Group for which consolidated accounts are prepared and of which the Company is a member. Copies of the Group accounts may be obtained from 54 Brook Street, London W1A 2BU.