

Sydney & Albany Properties Limited

**Directors' report and financial
statements**

Registered number SC215839

31 March 2003



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Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2003.

Principal activities

The principal activity of the company is property investment.

Business review

The results for the year ended 31 March 2003 are set out on page 4.

Dividends and transfers to reserves

The profit for the financial year was £48,414 (*period ended 31 March 2002: £34,756*). The directors do not recommend the payment of a dividend, leaving the surplus transferred to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

RJ Anning
WJ Curtis
D Gross (Mexican)
SJ Childs

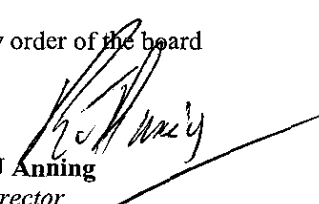
D Gross is a director of Sydney & London Properties Limited. D Gross has interests in the shares of one of the shareholders of Sydney & London Properties Limited, in whose accounts that interest is shown.

The remaining directors had no interest in the shares of group undertakings throughout the year.

Auditor

KPMG Audit Plc was appointed auditor during the year and a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the board


RJ Anning
Director

15 Atholl Crescent
Edinburgh
EH3 8HA

28th April

2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 have general responsibility 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.



KPMG Audit Plc

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of Sydney & Albany Properties Limited

We have audited the financial statements on pages 4 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report, and as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 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 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor

25 April 2003

Profit and loss account
for the year ended 31 March 2003

	<i>Note</i>	Year ended 31 March 2003 £	Period ended 31 March 2002 £
Turnover	2	333,000	279,857
Administrative expenses		(44,865)	(35,262)
Operating profit		288,135	244,595
Interest receivable and similar income		108	196
Interest payable and similar charges	6	(239,829)	(210,035)
Profit on ordinary activities before and after taxation being profit for the financial period	3-7	48,414	34,756
Balance brought forward		34,756	-
Balance carried forward		83,170	34,756

The above results relate entirely to continuing activities.

Statement of total recognised gains and losses
for the year ended 31 March 2003

	Year ended 31 March 2003 £	Period ended 31 March 2002 £
Profit for the financial period	48,414	34,756
Unrealised surplus on revaluation of properties	275,047	91,873
Total recognised gains and losses relating to the financial period	323,461	126,629

Balance sheet
at 31 March 2003

	<i>Note</i>	2003	2002
		£	£
Fixed assets			
Investment properties	8	4,535,000	4,260,000
Current assets			
Cash		1,926	1,926
Creditors: amounts falling due within one year	9	(4,086,835)	(4,135,296)
Net current liabilities		(4,084,909)	(4,133,370)
Net assets		450,091	126,630
Capital and reserves			
Share capital	10	1	1
Investment property revaluation reserve	12	366,920	91,873
Profit and loss account	12	83,170	34,756
Total shareholders' funds	11	450,091	126,630

These financial statements were approved by the board of directors on *25 April* 2003 and were signed on its behalf by:


RJ Anning
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, modified to include the revaluation of investment properties, and in accordance with applicable accounting standards and with the Companies Act 1985 except as noted under "Investment Properties" below.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to present a cash flow statement on the grounds that a parent undertaking includes the company in its own published financial statements.

The financial statements have been prepared on a going concern basis as the ultimate parent company, Sydney & London Properties Limited, has indicated its willingness to continue to support the company for the foreseeable future.

Turnover and profit on sale of investment properties

Turnover, which is stated net of VAT, consists of rental income earned from properties held for investment purposes. Proceeds from the sale of investment properties are not included in turnover, and the related profit or loss is calculated with reference to the carrying amount in the balance sheet. Acquisitions and disposals of investment properties are normally recognised when exchanged contracts become unconditional.

Investment properties

Design and construction management expenses together with interest incurred in respect of investment properties in the course of development are capitalised until the building is effectively completed and available for letting. Thereafter they are charged to the profit and loss account.

In accordance with Statement of Standard Accounting Practice No 19:

- investment properties are revalued annually and surpluses or deficits are transferred to a revaluation reserve unless a deficit on an individual property is considered permanent. In this case the deficit is charged to the profit and loss account and any subsequent reversal is credited to the profit and loss account in the period in which it arises; and
- no depreciation is provided in respect of freehold investment properties or leasehold interests with an unexpired term of more than 20 years.

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 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.

Notes (continued)

Investment properties (continued)

Independent professional valuations for investment properties are obtained by the directors periodically.

When not independently valued the investment properties are valued at the period end, on the same basis as the independent valuations, by a director who is a Fellow of the Royal Institution of Chartered Surveyors.

Taxation

Provision is made for corporation tax payable at current rates on profits as adjusted for tax purposes. Full provision for deferred tax on timing differences is made (without discounting) in accordance with Financial Reporting Standard 19: Deferred tax, at rates in force at the balance sheet date except in the cases specified in FRS 19, most notably timing differences relating to revaluation of investment properties for which there is no binding sale agreement.

In the case of investment properties, where a binding sale agreement has been entered into before the balance sheet date and the company has recognised the gains and losses expected to arise on sale, deferred tax is provided based on the taxation which would arise on the disposal of such properties at their book valuation. The provision is charged to the profit and loss account or, to the extent that it relates to the investment property revaluation reserve, against that reserve.

Related party transactions

The exemption under Financial Reporting Standard 8 from the requirement to disclose transactions with group companies has been adopted.

2 Turnover

All turnover and profit on ordinary activities before taxation is derived from the UK and arises solely from the principal activity of the company.

3 Profit on ordinary activities before taxation

	Year ended 31 March 2003 £	Period ended 31 March 2002 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration		
Audit fees	1,000	1,000
Management charge (note 14)	42,600	33,534

4 Remuneration of directors

No director received any remuneration during either period.

5 Staff number and costs

The company has no employees. Certain expenses of the company are paid, and services are provided, by Gross Hill Management Services Limited, for which the company pays a management charge.

Notes (continued)

6 Interest payable and similar charges

	Year ended 31 March 2003 £	Period ended 31 March 2002 £
On bank and institutional loans and overdrafts	162	446
On other loans	239,667	209,589
	<u>239,829</u>	<u>210,035</u>

7 Taxation

Factors affecting the tax charge for the period

	Year ended 31 March 2003 £	Period ended 31 March 2002 £
Profit on ordinary activities before tax	48,414	34,756
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	14,524	10,427
Effects of: Utilisation of losses surrendered from other group companies free of charge	(14,524)	(10,427)
Current tax charge for the period	<u>-</u>	<u>-</u>

If the investment property is subsequently sold at its current book value, no taxable gain is expected to arise due to the utilisation of group loss relief surrendered free of charge.

Notes (continued)

8 Investment properties

	Freehold £
At beginning of year	4,260,000
Disposals in the year	(47)
Surplus on revaluation	275,047
At end of year	4,535,000

At 31 March 2003, the company's investment property was subject to a mortgage as security for borrowings of the parent undertaking of £3,482,217.

The historical cost of investment properties was:

	£
At end of year	4,168,080
At beginning of year	4,168,127

The investment property was valued by the directors at the year end on the basis of open market value.

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to group undertakings	3,976,714	4,035,191
Management fee payable to related party (note 14)	42,600	33,534
Accruals and deferred income	67,521	66,571
	4,086,835	4,135,296

Notes (continued)

10 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	1	1

11 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
At start of period	126,630	-
Profit for the financial period	48,414	34,756
Surplus on revaluation of investment property	275,047	91,873
Issue of share capital	-	1
Closing shareholders' funds	450,091	126,630

12 Reserves

	Investment property revaluation reserve £	Profit and loss account £
At start of period	91,873	34,756
Revaluation surplus	275,047	-
Profit for the financial period	-	48,414
At end of period	366,920	83,170

Notes (continued)

13 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary undertaking of Sydney & London Properties Limited, registered in England and Wales, which heads the largest and only group in which the results of the company are consolidated and has control of the company.

The consolidated financial statements of the group are available to the public and may be obtained from Park House, Greyfriars Road, Cardiff CF1 3AF.

14 Related party transactions

Party	Relationship	Transaction	Value £	Balance at 31 March 2003 due (to)/from related party	Value £	Balance at 31 March 2002 due (to)/from related party
Gross Hill Management Services Limited	Subsidiary of Gross Hill Properties Limited	Management fee payable	42,600	(42,600)	33,534	(33,534)

Gross Hill Properties Limited is a joint venture investor in Sydney & London Properties Limited.