M K J Investment Company Limited

Report and Financial Statements

♦ *For the year ended 31 December 1996* ♦

COMPANY NO 253644

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COMPANY INFORMATION

Registered office	The Galleria Station Road Crawley West Sussex RH10 1HY	
Registered number	253644	
Auditors	Beavis Walker Audrey House 16/20 Ely Place London EC1N 6SN	
Bankers	Lloyds Bank Plc 34 Moorgate London EC2R 6DN	
Solicitors	Turner Foster & Kyle Dudley House 4 St John's Road Woking Surrey GU21 1SE	
Investment advisors	James Capel & Co 6 Bevis Marks London EC3A 7JQ	Albert E Sharp Edmund House 12 Newhall Street Birmingham B3 3ER
Property advisors	Cottrell & Rothon 188 Brockley Road London SE4 2RN	Levinson & Co 9 Bentinck Street London W1M 5RP

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the company for the year ended 31 December 1996.

Principal Activity

The company's principal activity is investing in stocks, shares and properties.

Review of the Business

Gross revenue for the year amounted to £293,350. After deducting administrative costs and providing for taxation, profit on ordinary activities amounted to £299,335. Included in this figure is a surplus of £158,500 made on the sale of listed investments and this amount after taxation of £34,848 has been transferred to capital reserve. The changes in listed investments are as detailed in note 9 to the financial statements. On 17 February 1997 the company acquired a property at 120 London Road, Kingston-upon-Thames for a consideration of £280,000.

Results and Dividend

The results for the year are set out in detail on page 6. Details of dividends are given in Note 6 to the accounts.

Investments

(a) **Securities**
The market value of listed investments held at 31 December 1996 showed an increase in value of 8.69% over the value at the beginning of the year, inclusive of investments purchased and sold during the year. The company's holding of listed securities at cost increased by a net £281,376.

(b) **Properties**
All of the properties were revalued at 31 December 1996 by the following qualified and independent valuers:

Levinson & Co., Chartered Surveyors
Cottrell & Rothon, Surveyors and Valuers
The valuations were prepared upon the basis of open market value.

REPORT OF THE DIRECTORS
(Continued)

Directors

The directors who served during the year and their interests in the shares of the company at the end of the year, were as follows:

	31 December 1996 or date of appointment	31 December 1995 or date of appointment
Mr C J Rew (Chairman)	-	-
Mrs F V A Greenwell	6,356	6,356
Miss M L Swanson	4,969	4,969
Mr J M Gervers	559	559
Mr A J Greenwell	576	576
Mr T S Hickman	2,457	2,457
Mr F M E Vernon	559	559

In accordance with the Articles of Association Mr J M Gervers and Miss M L Swanson retire by rotation and offer themselves for re-election at the forthcoming annual general meeting.

Directors' responsibilities for the financial statements

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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and 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.

REPORT OF THE DIRECTORS
(Continued)

Auditors

Beavis Walker have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

The report of the directors was approved by the Board on 24/6/97 and signed on its behalf by:

Julia Lethaby

Julia Lethaby
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF MKJ INVESTMENT COMPANY LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 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 affairs of the company as at 31 December 1996 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Beavis Walker

Beavis Walker
Registered Auditor and Chartered Accountants

London
5th September 1997

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1996

	Note	1996 £	1995 £
Revenue			
Income from investments	1,2	268,223	261,648
Income from deposits		25,127	30,480
Gross revenue		293,350	292,128
Administrative expenses	3	(61,569)	(55,466)
Operating profit		231,781	236,662
Surplus on sale of fixed asset investments	12	158,500	268,806
Profit on ordinary activities before taxation		390,281	505,468
Taxation	6	(90,946)	(125,281)
Profit on ordinary activities after taxation		299,335	380,187
Transferred to capital reserve		(123,652)	(201,254)
		175,683	178,933
Dividends paid and proposed	7	(198,380)	(185,300)
Retained loss for the year		(22,697)	(6,367)
Brought forward at 1 January 1996		223,316	229,683
Carried forward at 31 December 1996		200,619	223,316

All operations for the financial year are continuing.

The notes on pages 9 to 13 form part of these financial statements.

STATEMENT OF RECOGNISED GAINS AND LOSSES
For the year ended 31 December 1996

	1996	1995
	£	£
Profit on ordinary activities after taxation	299,335	380,187
Revaluation	10,495	-
Total recognised gains	309,830	380,187

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Profit for the financial year	299,335	380,187
Dividends	(198,380)	(185,300)
Revaluation	10,495	-
Net additions to shareholders funds	111,450	194,887
Opening Shareholders' Funds	3,550,565	3,355,678
Closing Shareholders' Funds	3,662,015	3,550,565

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	1996	1995
	£	£
Reported profit on ordinary activities before taxation	390,281	505,468
Realisation of property revaluation	-	41,928
Historical cost profit on ordinary activities before taxation	390,281	547,396
Historical cost retained (loss)/profit	(16,157)	35,561

BALANCE SHEET
31 December 1996

	Note	1996 £	1995 £
Fixed Assets			
Tangible assets - investment properties	8	1,027,380	1,016,885
Investments	9	2,346,814	2,065,438
		3,374,194	3,082,323
Current Assets			
Rental debtors		4,502	7,541
Other debtors and taxation		59,078	67,602
Cash at bank		381,766	584,972
		445,346	660,115
Creditors: amounts falling due within one year			
Other creditors		10,641	4,841
Taxation		44,424	88,932
Proposed dividends		102,460	98,100
		157,525	191,873
Net current assets		287,821	468,242
Total assets less current liabilities		3,662,015	3,550,565
Capital and reserves			
Called up share capital	10	43,600	43,600
Share premium account		23,073	23,073
		66,673	66,673
Other reserves			
Revaluation reserve	11	507,000	496,505
Capital reserve	12	2,887,723	2,764,071
Profit and loss account		200,619	223,316
		3,595,342	3,483,892
Total shareholders' equity		3,662,015	3,550,565

The financial statements were approved by the Board on 24 June 1997 and signed on its behalf by:

C J Rew

C J REW

F V A Greenwell.

MRS F V A GREENWELL

The notes on pages 9 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

1. ACCOUNTING POLICIES

Convention
The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of freehold properties, and in accordance with applicable accounting standards.

The principal accounting policies which the directors have adopted within that convention are set out below.

Income and Expenses

(i) Franked and unfranked investment income include the imputed tax credits and taxes deducted at source.

(ii) Expenses are dealt with on an accruals basis.

(iii) Rental income is received in respect of the investment freehold properties and is accounted for on a receivable basis.

Listed Investments
Investments are shown in the accounts at cost. Gains and losses on realisation of investments net of taxation are taken to capital reserve.

Investment properties
Investment properties are revalued professionally every three years and the surplus or deficit is transferred to revaluation reserve. In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided in respect of freehold investment properties.

The directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation is only one of many factors reflected in the triennial valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Cash flow statement
The company has taken advantage of the exemption provisions of Financial Reporting Standard 1 and hence does not present a cash flow statement.

Taxation
The charge for taxation takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

2. INCOME FROM INVESTMENTS

	1996 £	1995 £
Listed securities (Franked £148,557) (1995 - £130,309)	185,254	169,928
Property rental income	82,969	91,720
	268,223	261,648

All income was generated in the United Kingdom.

3. ADMINISTRATIVE EXPENSES

	1996 £	1995 £
Company Administration fees	30,785	29,140
Taxation fees	5,560	4,309
General expenses	9,162	5,988
Investment managers' fees	1,712	1,600
	47,219	41,037
Auditors' remuneration	2,350	2,379
Directors' emoluments	12,000	12,050
	61,569	55,466

4. EMPLOYEES

There were no employees during the year.

5. DIRECTORS

	1996 No.	1995 No.
Number of directors employed by the company during the year	7	7
Costs in respect of these directors:	£	£
Fees	12,000	12,050

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

5. DIRECTORS (continued)

C J Rew, a partner in Robson Rhodes, Chartered Accountants is Chairman of the company. Robson Rhodes have charged the company £36,345 (1995: £33,449) for management and taxation fees. As at 31 December 1996 Robson Rhodes were owed £5710.

6. TAXATION

	1996 £	1995 £
The charge for the year is as follows:		
Tax on franked investment income	31,394	26,062
Corporation tax at 33% (1995 - 33%)	59,694	101,064
	91,088	127,126
Add: underprovision for earlier years	(142)	(1,845)
	90,946	125,281
Charged against revenue	56,098	57,729
Charged against capital reserve (note 12)	34,848	67,552
	90,946	125,281

Advance corporation tax (ACT) on dividends provided at 31 December 1996 will be partially reduced when set against receipt of franked investment income. A net provision therefore has been made in these financial statements.

7. ORDINARY DIVIDENDS FOR 1996

	1996 £	1995 £
1st interim at £1.10 (actual) per share (paid 31.7.96)	47,960	43,600
2nd interim at £1.10 (actual) per share (paid 31.10.96)	47,960	43,600
3rd interim at £1.10 (actual) per share (paid 31.1.97)	47,960	43,600
4th interim at £1.25 (actual) per share (paid 31.3.97)	54,500	54,500
	198,380	185,300

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

8. TANGIBLE ASSETS - INVESTMENT PROPERTIES

	Freehold At cost £	Unrealised appreciation £	Total £
At 1 January and 31 December 1996	520,380	507,000	1,027,380

All of the properties were revalued at 31 December 1996 by the following qualified and independent valuers:

Levinson & Co., Chartered Surveyors
Cottrell & Rothon, Surveyors and Valuers

The valuations were prepared upon the basis of open market value.

9. LISTED INVESTMENTS

	1996 £	1995 £
Cost		
At 1 January 1996	2,065,438	1,930,834
Additions	744,639	539,091
Disposals	(463,263)	(404,487)
At 31 December 1996	2,346,814	2,065,438

The market value of listed investments, all of which are listed on a recognised stock exchange, was £4,806,602 (1995 - £4,422,238).

10. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised, allotted, issued and fully paid		
43,600 ordinary shares of £1 each	43,600	43,600

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1996

11. REVALUATION RESERVE

	1996 £	1995 £
Unrealised appreciation of investment properties (not distributable)		
At 1 January 1996	496,505	538,433
Realisation on disposal of investment property	-	41,928
Revaluation during year	10,495	-
At 31 December 1996	507,000	496,505

12. CAPITAL RESERVE

	1996 £	1995 £
At 1 January 1996	2,764,071	2,520,889
Surplus on sale of fixed asset investments	158,500	280,756
Deficit on realisation of investment property	-	(11,950)
Tax on surplus (note 6)	(34,848)	(67,552)
Transfer from revaluation reserve	-	41,928
At 31 December 1996 - (distributable)	2,887,723	2,764,071

13. CONTINGENT LIABILITIES

(i) There is no contingent liability in respect of investments not fully called up (1995 - £ Nil).

(ii) The amount of the contingent liability to taxation which might arise in the event of the future realisation of the listed investments at market value at 31 December 1996 is approximately £740,000 (1995: £705,000). The estimated liability in respect of investment properties if disposed of at their professional valuation is £Nil (1995 - £Nil).

14. POST BALANCE SHEET EVENT

On 17 February 1997 the company acquired a property at 120 London Road, Kingston-upon-Thames for a consideration of £280,000.

15. COMPANY STATUS

The company is a close company as defined by the Income and Corporation Taxes Act 1988.