

53417.

London Securities Plc



Report and Accounts

for the year ended
31 December 1996

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Directors and advisers

Executive directors	Michael Evans <i>Chairman and Finance</i> Keith Watson <i>Property</i>
Non-executive directors	André Chudnoff Matthew Roberts Henry Shouler
Secretary and registered office	Richard Pollard Wistons Lane Elland West Yorkshire HX5 9DS
Registered company number	53417
Registered auditors	Coopers & Lybrand Benson House 33 Wellington Street Leeds LS1 4JP
Registrars	Independent Registrars Group Limited Balfour House 390-398 High Road Ilford Essex IG1 1NQ
Bankers	Bristol & West Building Society ABN AMRO Bank Lloyds Bank Plc
Solicitors	Lawrence Graham 190 Strand London WC2R 1JN
Stockbrokers	Teather & Greenwood 12-20 Camomile Street London EC3A 7NN

Chairman's statement

Acquisition of Suitsort Limited

On 30 December 1994, Suitsort Limited ("Suitsort") was acquired from Nu-Swift Limited ("Nu-Swift") for a cost, after adjustment to reflect the net assets acquired, of £7,075,000. Expenses of £231,000 were also incurred in respect of the acquisition. The purchase price was satisfied principally by the issue of new shares to Nu-Swift. Nu-Swift has transferred its 75 per cent. interest in the company to EFS Property Holdings Limited. Both Nu-Swift and EFS Property Holdings Limited are ultimately controlled by Mr. J. G. Murray.

In 1995 the company changed the date up to which it prepares its accounts to 31 December. Consequently, the comparative amounts in this report and accounts are for the 15 months ended 31 December 1995.

Review of business

	Audited Year ended 31 December 1996 £'000	Unaudited 12 months ended 31 December 1995 £'000	Audited 15 months ended 31 December 1995 £'000
Net rents receivable	1,835	1,787	1,787
Interest payable on mortgages	(910)	(955)	(955)
Permanent revaluation deficit	(100)	–	–
Other costs (net)	(87)	(59)	(102)
Profit before tax	738	773	730
Tax:			
Current period	(184)	(142)	(142)
Prior periods	12	–	47
Profit after tax	566	631	635
Dividends	(102)	(435)	(435)
Profit retained	<u>464</u>	<u>196</u>	<u>200</u>
Dividends per ordinary share	<u>2.0p</u>	<u>8.5p</u>	
Earnings per ordinary share	<u>11.0p</u>	<u>12.3p</u>	
Net assets per ordinary share	<u>134.3p</u>	<u>115.5p</u>	

Chairman's statement continued

Review of business *continued*

The properties were valued at £17.15 million at 31 December 1996 (1995: £16.75 million) by Jones Lang Wootton. This £400,000 increase in value comprises a £500,000 surplus which has been credited to revaluation reserve, less a £100,000 deficit which is regarded as permanent and has therefore been written off against 1996 profits as shown above. The deficit arises in respect of the property at Glenthorne Road, Hammersmith, London W6 where further reductions in value are expected over the remaining period of the tenant's lease which expires in June 2003. The other five properties have increased or maintained their value during 1996, resulting in an increase in net asset value from 115.5 pence to 134.3 pence per share, an improvement of 16.3 per cent. The improvement in the market has continued in the four months since the year end.

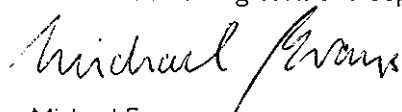
Bank borrowings of £10.08 million at 31 December 1996 (1995: £11.1 million) are secured on five of the six properties with an aggregate value of £16.40 million (1995: £16.05 million). These borrowings are to be repaid in August 1999. Interest costs were fixed at 8.9 per cent. until 2 August 1996. Since that date interest has been on floating rates except for interest on borrowings of £5.68 million which was fixed on 9 December 1996 at an average rate of 8.8 per cent. until 2 August 1999.

Tenants have now been found for the second and third floors at Sovereign House and the group's property portfolio is now fully let with no rent arrears.

Dividends

A final dividend of 2.0 pence per ordinary share is proposed, payable on 20 June 1997 to shareholders on the register at 2 June 1997. It is the company's intention to pay a dividend only once each year as the cost of paying an interim dividend cannot be justified in view of the high cost of paying dividends to the large majority of shareholders who own very small numbers of shares.

The dividend is being reduced to 2.0 pence per share after consultation with the group's controlling shareholder who wishes the group to conserve a greater proportion of the cash flow. In the absence of unforeseen circumstances, it is the company's intention to maintain future dividends at this level which is more in line with normal dividend yields. It is the board's intention to utilise the retained cash to reduce bank borrowings and gearing, unless an attractive investment opportunity can be identified. This strategy, whilst conservative, will give a greater degree of protection to shareholders in the event of upward movements in interest rates, which would increase borrowing costs and depress asset values.



Michael Evans

Chairman

13 May 1997

Directors' report

for the year ended 31 December 1996

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

Principal activity The principal activity of the group is property investment.

Results and dividends The profit after taxation for the year ended 31 December 1996 amounted to £566,000 (1995: £635,000). A final dividend of 2.0 pence per ordinary share is proposed, payable on 20 June 1997 to shareholders on the register at 2 June 1997.

Business review and future prospects A review of the company's business and future prospects is included in the chairman's statement.

Directors The directors of the company in office during the period are set out on page 2.

Michael Evans (42), executive chairman and finance director, is the finance director of a number of companies in the European Fire Protection Holding BV group, including its property interests in the UK, Europe and the United States of America. He was appointed as a director and chairman of the company on 7 July 1994.

André Chudnoff (72), non-executive director, is a financial adviser for various companies in the European Fire Protection Holding BV group. He is a non-executive director of CNC Properties PLC and Andrews Sykes Group plc, both of which are listed on the London Stock Exchange. He was appointed as a director of the company on 10 April 1991.

Matthew Roberts ARICS (35), non-executive director, is a director of a number of private property companies. He was previously a director of Herring Baker Harris, Chartered Surveyors, and was a property portfolio fund manager at Morgan Grenfell Asset Management. He was appointed as a director of the company on 18 August 1994.

Henry Shouler (59), non-executive director, is deputy chairman of Sharpe & Fisher Plc, a listed builders merchants and property company, and chairman of Pascoe's Group Plc, a listed petfood company. He also has a number of directorships in private companies. He was appointed as a director of the company on 18 August 1994.

Keith Watson FRICS (49), executive property director, has managed the group's property interests since 1988. He was appointed as a director of the company on 24 May 1994.

None of the directors has a service contract with the exception of Mr Watson whose contract was terminated by mutual agreement on 3 March 1997. From that date he has continued as executive property director on a part-time basis.

Mr Roberts retires at the forthcoming annual general meeting of the company and, being eligible, offers himself for re-election.

Directors' report continued

for the year ended 31 December 1996

Directors' interests

The directors in office at 31 December 1996 had no interests at that date in the share capital of the company or any of its subsidiaries and no changes have been notified to the company up to the date of this report.

Substantial shareholdings

At 8 May 1997 the company had been notified of the following interests of 3 per cent. or more in the share capital of the company:

	Number of shares	Percentage of share capital
EFS Property Holdings Limited	3,840,370	75.0

EFS Property Holdings Limited is a wholly owned subsidiary of European Fire Protection Holding BV.

Corporate governance

Two directors, Mr Evans and Mr Chudnoff, are connected with EFS Property Holdings Limited which controls 75 per cent. of the company's issued share capital. Three directors, Mr Roberts, Mr Shouler and Mr Watson, who represent a majority of the board, are independent of EFS Property Holdings Limited.

The EFS Property Holdings Limited group has undertaken that, before it acquires any investment property from a third party, it will first procure that any such property is offered to the company on equivalent terms. Mr Evans and Mr Chudnoff will not vote on any such potential acquisition referred to the company by the EFS Property Holdings Limited group, unless the EFS Property Holdings Limited group has previously confirmed that it has no interest in acquiring the property concerned.

Mr Evans and Mr Chudnoff have agreed to notify the company of the identity of any person of whom they are aware who, at the time of making specific enquiries to purchase a property owned by the EFS Property Holdings Limited group, is reasonably likely to be a purchaser of a property of a similar type owned by London Securities or its subsidiaries.

Except as noted below, the company has complied throughout the period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. These exceptions arise because the directors do not consider that the company, as a small public company, would benefit from formal implementation of all the Cadbury recommendations.

The company has complied with Section A of the Best Practice Provisions: Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange.

A formal schedule of matters specifically reserved for decision by the full board has not been prepared, as the board meets regularly and retains full responsibility for the management and control of the company.

All directors have access to the advice and services of the company secretary and are able to take independent professional advice if necessary, but no formally agreed procedures have been laid down.

Non-executive directors have not been appointed for specified terms, but are required to retire by rotation in accordance with the Articles of Association of the company.

The company has not drawn up formal procedures, such as a nomination committee, for the selection of non-executive directors, as there is no immediate need for such procedures.

Internal control

The directors are responsible for the systems of internal financial control, which are designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures established to provide internal financial controls that are effective in the environment of a small group with a limited number of transactions, such as London Securities, are:

- (a) Every receipt and payment is monitored by at least one director.
- (b) All payments require two signatories, of which at least one, and normally both, are directors.
- (c) Accounts are prepared quarterly and reviewed by the board.
- (d) Quarterly results are monitored against forecasts which are updated when necessary.

The directors have reviewed the effectiveness of the system of internal financial control.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and group as at the end of the financial period and of the profit or loss of the company and group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the directors are confident that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they adopt the going concern basis in preparing the financial statements.

Share capital

The special business to be proposed at the 1997 annual general meeting includes, at resolution number 5, a special resolution to authorise the directors to issue shares for cash, other than pro rata to existing shareholdings, in connection with any offer by way of rights not strictly in accordance with statutory pre-emption rights or otherwise, up to a maximum nominal value of £25,602, being 5 per cent. of the company's issued ordinary share capital. This authority will expire on the earlier of the date of next year's annual general meeting or 15 months after the passing of the resolution.

Creditor payment policy

The group's policy concerning the payment of its trade creditors is to negotiate the terms of payment when agreeing the terms of each transaction and to pay in accordance with its contractual and other legal obligations.

Auditors

A resolution to reappoint Coopers & Lybrand will be proposed at the annual general meeting.

By Order of the Board

Richard Pollard
Company Secretary



13 May 1997

Report of the remuneration committee

The remuneration committee comprises Mr Shouler, Mr Roberts and Mr Chudnoff, being the three non-executive directors of the company. The committee is chaired by Mr Shouler.

Policy on executive directors' remuneration

It is the company's policy to provide the packages needed to attract, retain and motivate directors of the quality required, bearing in mind the size and resources of the company and its position relative to other companies.

The committee has given full consideration to Section B of the Best Practice Provisions: Directors' Remuneration annexed to the Listing Rules of the London Stock Exchange.

Directors' remuneration

An analysis of the remuneration received by each director in office during the year ended 31 December 1996 is set out below:

	Basic salary	Bonus	Directors' fees	Pension payments	Benefits in kind	Total for year ended 31 December 1996	Total for 15 months ended 31 December 1995
	£	£	£	£	£	£	£
<i>Executive</i>							
Michael Evans	--	--	--	--	--	--	--
Keith Watson	41,500	10,567	--	--	4,258	56,325	57,273
<i>Non-executive</i>							
Henry Shouler	--	--	10,000	--	--	10,000	12,500
Matthew Roberts	--	--	10,000	--	--	10,000	12,500
André Chudnoff	--	--	--	--	--	--	--

Mr Watson received a salary of £41,500 (1995: £40,000) per annum. In addition, he received a bonus of £10,567, (1995: £2,209) based on a proportion of the amount by which income from consultancy services performed by him exceeded £30,000. Total consultancy fees generated by him amounted to £54,550 (1995: £38,835). Mr Watson also received a fully expensed company car. With effect from 3 March 1997 Mr Watson's service contract was terminated by mutual consent. Since that date he has continued as executive property director on a part-time basis, receiving director's fees of £15,000 per annum.

Mr Shouler and Mr Roberts received directors' fees of £10,000 per annum.

As set out in note 20 to the financial statements, Mr Evans and Mr Chudnoff are associated with and remunerated by the European Fire Protection Holding BV group and their services are provided to the company free of charge.

At present, the company does not operate a pension scheme, a share option scheme or a long-term incentive scheme.

Directors' service contracts

None of the directors had a service contract with the company, with the exception of Mr Watson, whose contract has been terminated as set out on page 5.

Henry Shouler
Chairman of the committee
 13 May 1997

Report by the auditors

to London Securities Plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 6 and 7 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures, nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 7, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 6 and 7 appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).



Coopers & Lybrand
Chartered Accountants
Leeds
13 May 1997

Report of the auditors

to the members of London Securities Plc

We have audited the financial statements on pages 11 to 23.

Respective responsibilities of directors and auditors

As described on page 7 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 and group'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 and the group at 31 December 1996 and of the profit, total recognised gains and losses and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Leeds
13 May 1997

Consolidated profit and loss account

for the year ended 31 December 1996

	Notes	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Gross rents receivable		1,955	1,942
Direct property outgoings		(120)	(155)
Net rents receivable		<u>1,835</u>	<u>1,787</u>
Other operating income		55	39
Administrative expenses		(180)	(194)
Revaluation deficit	4	(100)	—
Operating profit		<u>1,610</u>	<u>1,632</u>
Net interest payable	5	(872)	(902)
Profit on ordinary activities before taxation	6	<u>738</u>	<u>730</u>
Taxation	7	(172)	(95)
Profit for the financial period	8	<u>566</u>	<u>635</u>
Dividends	9	(102)	(435)
Retained profit	18	<u>464</u>	<u>200</u>
Earnings per ordinary share	10	<u>11.0p</u>	<u>15.1p</u>
Earnings per ordinary share for the 12 month periods since the acquisition of Suitsort	10	<u>11.0p</u>	<u>12.3p</u>

The whole of the gross rents receivable and the operating profits above arose from continuing operations.

In the 15 months ended 31 December 1995 the total amount of gross rents receivable related to the 12 month period since the acquisition on 30 December 1994 of Suitsort Limited ("Suitsort") and its subsidiaries. In the 3 months prior to that acquisition the group had no investment properties, but incurred costs of £43,000.

Statement of total recognised gains and losses

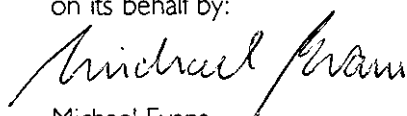
		Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
	Profit for the financial period	566	635
	Unrealised gain/(deficit) on revaluation of properties	500	(860)
	Total recognised gains and losses	1,066	(225)
		Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Note of historical cost profit and losses	Reported profit on ordinary activities before taxation	738	730
	Permanent diminutions in value of investment property previously considered to be temporary	(300)	—
	Historical cost profit on ordinary activities before taxation	438	730
	Historical cost profit on ordinary activities for the year retained after taxation and dividends	164	200
		Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Reconciliation of movements in shareholders' funds	Profit for the financial period	566	635
	Dividends	(102)	(435)
		464	200
	Unrealised gain/(deficit) on revaluation of properties	500	(860)
	New share capital issued	—	4,526
	Merger reserve arising on the acquisition of Suitsort	—	2,033
	Net addition to shareholders' funds	964	5,899
	Opening shareholders' funds	5,913	14
Closing shareholders' funds	6,877	5,913	

Balance sheets

as at 31 December 1996

	Notes	Group		Company	
		31 December 1996 £'000	31 December 1995 £'000	31 December 1996 £'000	31 December 1995 £'000
Fixed assets					
Tangible assets	11	17,164	16,768	14	18
Investments	12	—	—	5,648	5,648
		<u>17,164</u>	<u>16,768</u>	<u>5,662</u>	<u>5,666</u>
Current assets					
Debtors	13	262	433	1,042	75
Cash		627	1,148	163	812
		<u>889</u>	<u>1,581</u>	<u>1,205</u>	<u>887</u>
Creditors: amounts falling due within one year	14	<u>(1,093)</u>	<u>(1,864)</u>	<u>(1,807)</u>	<u>(1,813)</u>
Net current liabilities		<u>(204)</u>	<u>(283)</u>	<u>(602)</u>	<u>(926)</u>
Total assets less current liabilities		16,960	16,485	5,060	4,740
Creditors: amounts falling due after more than one year	15	(10,075)	(10,572)	—	—
Provision for liabilities and charges	16	<u>(8)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets		<u><u>6,877</u></u>	<u><u>5,913</u></u>	<u><u>5,060</u></u>	<u><u>4,740</u></u>
Capital and reserves					
Called up share capital	17	512	512	512	512
Share premium account	18	3,925	3,925	3,925	3,925
Capital redemption reserve	18	103	103	103	103
Revaluation reserve	18	(60)	(860)	—	—
Merger reserve	18	2,033	2,033	—	—
Profit and loss account	18	364	200	520	200
Total equity shareholders' funds		<u><u>6,877</u></u>	<u><u>5,913</u></u>	<u><u>5,060</u></u>	<u><u>4,740</u></u>

The financial statements were approved by the board on 13 May 1997 and were signed on its behalf by:



Michael Evans
Chairman

Consolidated cash flow statement

for the year ended 31 December 1996

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Net cash inflow from operating activities (reconciliation to operating profit below)	<u>1,764</u>	<u>2,354</u>
Returns on investments and servicing of finance		
Interest received	49	60
Interest paid	<u>(940)</u>	<u>(946)</u>
	<u>(891)</u>	<u>(886)</u>
Taxation		
UK corporation tax paid	<u>(154)</u>	<u>–</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3)	(23)
Sale of tangible fixed assets	<u>1</u>	<u>2</u>
	<u>(2)</u>	<u>(21)</u>
Acquisitions and disposals		
Purchase of Suitsort	–	(516)
Net cash acquired with Suitsort	<u>–</u>	<u>536</u>
	<u>–</u>	<u>20</u>
Equity dividends paid	<u>(256)</u>	<u>(179)</u>
Cash inflow before financing	461	1,288
Financing		
Repayment of loan	<u>(982)</u>	<u>(170)</u>
(Decrease)/increase in cash in the period	<u>(521)</u>	<u>1,118</u>
	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	1,610	1,632
Revaluation deficit	100	–
Depreciation of tangible fixed assets	6	4
Decrease/(increase) in rent receivable	43	(80)
Increase in prepayments and accrued income	(17)	–
Decrease/(increase) in other debtors	32	(32)
(Decrease)/increase in trade creditors	(4)	58
Increase in amount owed to parent undertaking	–	321
Increase in other taxation and social security creditors	1	–
Decrease in accruals	(6)	(2)
(Decrease)/increase in deferred income	<u>(1)</u>	<u>453</u>
Net cash inflow from operating activities	<u>1,764</u>	<u>2,354</u>

Notes to the financial statements

for the year ended 31 December 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP19 (revised) 'Accounting for investment properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation. An explanation of the departure is given below in the accounting policy relating to investment properties. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of investment properties.

Basis of consolidation

The group financial statements incorporate the financial statements of the parent company and its subsidiaries made up to 31 December 1996.

The results of subsidiaries acquired or disposed of are included in the profit and loss account from the date of acquisition or up to the date of disposal.

As set out in note 12, the group has no economic interest in or control over the assets of the companies which were subsidiary undertakings at 16 October 1992, the date on which the company entered into a company voluntary arrangement with its creditors. Consequently, these companies are not recognised in the consolidated balance sheet. Section 229(3)a of the Companies Act 1985 permits the exclusion of such companies from consolidation and FRS2 'Accounting for subsidiary undertakings' demands exclusion from consolidation in these circumstances, because the conditions that justify exclusion also make consolidation inappropriate.

Investment properties

The group's properties are held for long term investment. In accordance with SSAP19 (revised) such properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve unless a deficit on an individual investment property is expected to be permanent, in which case it is written off through the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties where the unexpired lease term is 20 years or more. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19 (revised). The directors consider that this accounting policy is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Finance arrangement costs

Costs of arranging bank loans are amortised over the lives of the relevant loans.

Depreciation

Depreciation is provided on motor vehicles and equipment at rates required to write off the cost of assets against revenue in equal instalments over their useful lives, which are generally not more than five years.

Investments

Mill Ride Golf Club plc and its subsidiaries are subject to "ring-fencing" arrangements with Barclays Bank as described in note 12. All other investments held by the company at 30 September 1994 were subject to the CVA. In the opinion of the directors, no amount would be realised by the company from the disposal of its shares in any of these companies as in each case the company concerned has secured liabilities in excess of its assets. Consequently, no value is attributed to these investments in the company's balance sheet. The companies are in the process of being struck off the register at Companies House. The balance sheet recognises only the investment in subsidiaries arising from the acquisition of Suitsort and its subsidiaries on 30 December 1994. These subsidiary companies are listed in note 12.

Notes to the financial statements continued

for the year ended 31 December 1996

1 Principal accounting policies *continued*

Gross rents receivable

Gross rents receivable represents amounts receivable from tenants of investment properties excluding value added tax and arises entirely in the United Kingdom. Rents receivable are brought into the profit and loss account when receivable and any element relating to future periods is included in deferred income.

Direct property outgoings

Direct property outgoings comprises ground rents payable to the holders of freehold or superior leasehold interests in investment property, together with costs directly related to unlet property such as rates, letting costs and unrecovered service charges.

Deferred taxation

No provision is made for deferred taxation arising from the allocation for taxation purposes of income and expenditure to periods different from those used for accounting purposes unless there is a reasonable probability that such timing differences will give rise to a payment of tax in the foreseeable future.

2 Employee information

The average number of persons employed by the group during the period was 2 (1995: 2), representing the two executive directors.

Staff costs in respect of the above persons comprised:

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Wages and salaries	52	52
Social security costs	4	4
	<u>56</u>	<u>56</u>

3 Directors' emoluments

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Fees	20	28
Salary payments (including benefits in kind)	56	57
Pension contributions	-	-
	<u>76</u>	<u>85</u>

Fees and other emoluments include amounts paid to:

	Year ended 31 December 1996 Highest paid Chairman £'000	15 months ended 31 December 1995 Highest paid Chairman £'000
Chairman	Nil	Nil
Highest paid director	56	57

3 Directors' emoluments
continued

The number of directors, including the chairman and the highest paid director, who received fees and other emoluments in the following ranges was:

	Year ended 31 December 1996 Number	15 months ended 31 December 1995 Number
£0 to £5,000	2	3
£5,001 to £10,000	2	–
£10,001 to £15,000	–	2
£55,001 to £60,000	1	1

The directors shown above in the £0 to £5,000 range received no fees or other emoluments.

4 Revaluation deficit

The total revaluation surplus for the year of £400,000 comprises a gain of £500,000 which has been credited to revaluation reserve (note 18) and a deficit of £100,000 which the directors consider to be permanent. This deficit for the year has been written off against profits for the year in accordance with the group's accounting policy which is set out in note 1.

5 Net interest payable

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
On bank loans	911	955
Amortisation of finance arrangement costs	10	10
	<u>921</u>	<u>965</u>
Interest receivable	(49)	(63)
	<u>872</u>	<u>902</u>

6 Profit on ordinary activities before taxation

	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	6	4
Auditors' remuneration for:		
Audit (Company £6,000; 1995: £5,000)	17	18
Other services	10	11
	<u>33</u>	<u>33</u>

Notes to the financial statements continued

for the year ended 31 December 1996

7 Tax on profit on ordinary activities	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
United Kingdom corporation tax at 33 per cent. (1995: 33 per cent.):		
Current	135	148
Deferred	49	(6)
	184	142
Overprovision in respect of prior years:		
Current	(12)	(12)
Deferred	—	(35)
	172	95

The tax charge for the period has been reduced by £94,000 (1995: £125,000) in respect of capital allowances for which no deferred tax charge arises.

8 Profit for the financial period As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial period was £422,000 (1995: profit £635,000).

9 Dividends	Year ended 31 December 1996 £'000	15 months ended 31 December 1995 £'000
Dividends on ordinary equity shares:		
Interim paid of nil pence per share (1995: 3.5 pence)	—	179
Final proposed of 2.0 pence per share (1995: 5.0 pence)	102	256
	102	435

10 Earnings per ordinary share The calculation of earnings per ordinary share is based on the profit on ordinary activities after taxation of £566,000 (1995: £635,000) and on 5,120,495 (1995: 4,215,162) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

An additional figure for earnings per share is disclosed for 1995 based on the unaudited earnings for the 12 month period following the acquisition of Suitsort on 30 December 1994. This additional figure is intended to demonstrate the recurring earnings and is based on a profit after taxation of £631,000 and on 5,120,495 ordinary shares in issue throughout the 12 month period ended 31 December 1995.

11 Tangible
fixed assets

	Investment properties £'000	Motor vehicles and equipment £'000	Group Total £'000	Company Motor vehicles and equipment £'000
Cost or valuation				
At 1 January 1996	16,750	22	16,772	22
Additions	–	3	3	3
Disposals	–	(2)	(2)	(2)
Net surplus on revaluation (note 4)	400	–	400	–
At 31 December 1996	<u>17,150</u>	<u>23</u>	<u>17,173</u>	<u>23</u>
Depreciation				
At 1 January 1996	–	4	4	4
Eliminated in respect of disposals	–	(1)	(1)	(1)
Charge for period	–	6	6	6
At 31 December 1996	<u>–</u>	<u>9</u>	<u>9</u>	<u>9</u>
Net book value				
At 31 December 1996	<u>17,150</u>	<u>14</u>	<u>17,164</u>	<u>14</u>
Net book value				
At 31 December 1995	<u>16,750</u>	<u>18</u>	<u>16,768</u>	<u>18</u>
Cost or valuation at 31 December 1996 is represented by:				
Valuation	17,150	–	17,150	–
Cost	–	23	23	23
	<u>17,150</u>	<u>23</u>	<u>17,173</u>	<u>23</u>

Investment properties were valued on the basis of open market value as at 31 December 1996 by Jones Lang Wootton, Chartered Surveyors.

On a historical cost basis investment properties would have been stated at a cost of £17,610,000 (1995: £17,610,000). The amount of accumulated depreciation on this basis cannot reasonably be quantified because there is no analysis of cost as between land and buildings.

Investment properties at valuation comprise:

	1996 £'000	1995 £'000
Freehold	5,950	5,950
Long leasehold	11,200	10,800
	<u>17,150</u>	<u>16,750</u>

Notes to the financial statements continued

for the year ended 31 December 1996

12 Investments

Company

Shares in unlisted
subsidiary
undertakings
£'000

At 31 December 1996 and 31 December 1995

5,648

Interests in group undertakings

The company is the beneficial owner of the entire equity share capital in each of the subsidiary undertakings which are set out below. Each company is incorporated in England and Wales. The activity of each company is property investment, except for Suitsort, Nu-Swift Upper Limited and Nu-Swift Mortimer Limited which are dormant.

Evenprofit Limited
Majorcredit Limited
Nu-Swift Finchley Limited
Nu-Swift Sovereign Limited
Nu-Swift Glenthorn Limited
Nu-Swift Chalfont Limited
Suitsort Limited
Nu-Swift Upper Limited
Nu-Swift Mortimer Limited

The group has no economic interest in or control over the assets of certain other companies which were subsidiary undertakings at 16 October 1992. On that date the company entered into a company voluntary arrangement ("CVA") with its creditors. During the two year period of the CVA an orderly disposal of most of the properties and other assets held by the group as at 16 October 1992 has taken place and the proceeds of sale have been used to repay in part the secured lenders as at that date. The CVA expired on 16 October 1994. As set out in the final report of the CVA supervisors dated 10 November 1994, aggregate proceeds of the disposals have been significantly less than the related debt. No surplus was available for the company's unsecured creditors or shareholders.

A few assets held by companies which were subsidiary undertakings as at 16 October 1992 have not yet been sold by the secured creditors, who control those companies. The directors have given an undertaking to the CVA supervisors to pass any surpluses (after payment of secured creditors and expenses of sale) to the CVA supervisors for distribution to creditors. However, it is almost certain that there will be no such surplus.

The company remains the legal owner of 96 per cent. of the issued share capital of Mill Ride Golf Club plc ("MRGC"). However, it is not the beneficial owner as, under the terms of an agreement with Barclays Bank, the company has no control over the management of MRGC and has agreed to use the votes attributable to its shareholding as directed by the bank. MRGC's liabilities greatly exceed its assets.

It is the intention of the directors that all remaining companies which were subsidiary undertakings of the company at 16 October 1992 will be struck off following the disposal of their assets.

13 Debtors

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Rents receivable	82	125	-	-
Prepayments and accrued income	50	43	-	7
Deferred taxation (note 16)	-	41	-	-
Advance corporation tax	6	31	6	31
Corporation tax recoverable	-	161	-	6
Amount due from parent undertaking	124	-	233	-
Amount due from subsidiary undertaking	-	-	782	-
Other debtors	-	32	21	31
	<u>262</u>	<u>433</u>	<u>1,042</u>	<u>75</u>

Advance corporation tax of £6,000 (1995: £18,000) is recoverable after more than one year.

Prepayments for the group includes finance arrangement costs of £25,000 (1995: £35,000), of which £15,000 (1995: £25,000) is to be amortised after more than one year.

14 Creditors: amounts falling due within one year

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank loans	-	485	-	-
Trade creditors	79	83	58	28
Amounts owed to parent undertaking	-	313	-	320
Amounts owed to subsidiary undertakings	-	-	1,641	1,178
Corporation tax	245	-	-	-
Advance corporation tax	6	31	6	31
Other taxation and social security	30	29	-	-
Accruals	179	214	-	-
Deferred income	452	453	-	-
Proposed final dividend	102	256	102	256
	<u>1,093</u>	<u>1,864</u>	<u>1,807</u>	<u>1,813</u>

15 Creditors: amounts falling due after more than one year

	Group	
	1996 £'000	1995 £'000
Bank loans	10,075	11,057
Less: amounts falling due within one year	-	(485)
	<u>10,075</u>	<u>10,572</u>

The bank loans are secured on the assets of certain subsidiary undertakings and are repayable as follows:

	1996 £'000	1995 £'000
In one year or less	-	485
Between one and two years	-	170
Between two and five years	10,075	10,402
	<u>10,075</u>	<u>11,057</u>

Interest rates on the loans averaged 8.4 per cent. (1995: 8.6 per cent.) per annum.

Notes to the financial statements continued

for the year ended 31 December 1996

16 Provision for liabilities and charges

	Deferred taxation	
	1996 £'000	1995 £'000
At 1 January – asset	(41)	–
Transfer to profit and loss account	49	(41)
At 31 December – liability/(asset)	<u>8</u>	<u>(41)</u>

Deferred taxation provided in the financial statements and the amount unprovided of the total potential (asset)/liability, are as follows:

Group	Amount provided		Amount unprovided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Tax effect of timing differences:				
Short term	8	(41)	–	–
Capital allowances	–	–	380	286
	<u>8</u>	<u>(41)</u>	<u>380</u>	<u>286</u>
Capital losses	–	–	(5,593)	(5,625)

17 Called up share capital

	Ordinary shares £'000	Total £'000
Authorised		
At 31 December 1996 and 31 December 1995	<u>680</u>	<u>680</u>
Allotted and fully paid		
At 31 December 1996 and 31 December 1995	<u>512</u>	<u>512</u>

At 31 December 1996 and 31 December 1995 the company had an authorised share capital of 6,800,000 ordinary shares of 10p each, of which 5,120,495 were issued and fully paid.

18 Share premium account and reserves

Group	Share premium	Capital redemption reserve	Revaluation reserve	Merger reserve	Profit and loss account
	£'000	£'000	£'000	£'000	£'000
At 1 January 1996	3,925	103	(860)	2,033	200
Transfer from revaluation reserve	–	–	300	–	(300)
Revaluation surplus for the year	–	–	500	–	–
Profit for the year	–	–	–	–	464
At 31 December 1996	<u>3,925</u>	<u>103</u>	<u>(60)</u>	<u>2,033</u>	<u>364</u>
Company					
	Share premium	Capital redemption reserve			Profit and loss account
	£'000	£'000			£'000
At 1 January 1996	3,925	103			200
Profit for the year	–	–			320
At 31 December 1996	<u>3,925</u>	<u>103</u>			<u>520</u>

19 Ultimate parent company

The company's immediate parent undertaking is EFS Property Holdings Limited.

The directors regard European Fire Protection Holding BV, a company registered in the Netherlands, as the company's ultimate parent undertaking. Copies of the consolidated financial statements of European Fire Protection Holding BV may be obtained from Kamer van Koophandel en Fabrieken voor Rotterdam en de Beneden-Maas, Afdeling Handelsregister, Beursgebouw, Beursplein 37, 3011 AA Rotterdam.

The company is ultimately controlled by Mr J. G. Murray through his controlling interest in European Fire Protection Holding BV.

20 Related party transactions

The services of Mr. Evans and Mr. Chudnoff as directors and Mr. Pollard as company secretary are provided free of charge by Nu-Swift International Limited, a fellow subsidiary undertaking of European Fire Protection Holding BV.

Tax losses of £1,325,000, which arose in 1994 in companies which became subsidiary undertakings of London Securities Plc in December 1994, have been surrendered to fellow subsidiary undertakings of European Fire Protection Holding BV. The consideration receivable, calculated at 33 per cent. (being the relevant rate of tax) of the tax losses surrendered, amounted to £437,000. Consequently, the amount due to parent undertaking of £313,000 at 31 December 1995 became an amount due from parent undertaking of £124,000 at 31 December 1996. No interest has been charged on those balances.

Notice of annual general meeting

Notice is hereby given that the annual general meeting of London Securities Plc will be held at Wistons Lane, Elland, West Yorkshire HX5 9DS on 9 June 1997 at 11.00 am for the following purposes:

1. To adopt the directors' report and the financial statements for the year ended 31 December 1996.
2. To approve the payment of a final dividend of 2.0p per ordinary share.
3. To re-elect Mr M J Roberts as a director.
4. To reappoint Coopers & Lybrand as auditors of the company and to authorise the directors to fix their remuneration.
5. As special business to consider and, if thought fit, pass the following resolution as a Special Resolution:

That the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) of the company for cash pursuant to the general authority conferred by resolution number 5 approved at the annual general meeting of the company held on 10 March 1995 as if Section 89(1) of that Act did not apply to such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate therein in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and
- (ii) the allotment (other than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £25,602;

and such power shall expire on the date of the annual general meeting of the company to be held in 1998 or fifteen months after the date of the passing of this resolution (whichever is the earlier) but so that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to such an offer or agreement as if the power conferred hereby had not expired.

By Order of the Board
Richard Pollard
Secretary



Registered Office:
Wistons Lane
Elland
West Yorkshire HX5 9DS

13 May 1997

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the company.
2. Any form of proxy and power of attorney or other authority under which it is signed or a certified or office copy of such power or authority, in order to be valid, must reach Independent Registrars Group Limited not less than 48 hours before the time of the meeting.
3. The register of directors' interests in the share capital of the company will be available for inspection at the registered office of the company during business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice until the date of the annual general meeting and at the place of the annual general meeting for at least 15 minutes prior to and until the conclusion of the annual general meeting.

Form of Proxy

for annual general meeting

I/We.....
of
.....
being (a) member(s) of the above named company hereby appoint

.....or in default
the chairman of the meeting, as my/our proxy to vote for me/us on my/our behalf at the annual
general meeting of the shareholders of the company to be held at Wistons Lane, Elland, West
Yorkshire HX5 9DS on Monday, 9 June 1997 at 11.00 am and at any adjournment thereof.

Please indicate with an "X" in the appropriate space how you wish your votes to be cast.

Resolution	For	Against
1 To adopt the directors' report and the financial statements		
2 To approve the payment of a final dividend of 2.0p per ordinary share		
3 To re-elect Mr M. J. Roberts as a director <i>Mr Roberts is a member of the audit and remuneration committees</i>		
4 To reappoint Coopers & Lybrand as auditors		
5 To empower the directors to allot relevant securities for cash		

Date.....

Signature(s) or common seal

Notes:

1. A proxy need not be a member of the company.
2. If you do not indicate how you wish your proxy to use your vote on any particular matter, the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting.
3. In the case of a corporation this form of proxy must be exercised under seal or under the hand of an officer or attorney duly authorised in writing.
4. Forms of proxy, to be valid, must be signed and must be lodged, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, with the company's registrars, Independent Registrars Group Limited, Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR not less than 48 hours before the time appointed for holding the meeting.
5. In the case of joint holders, the signature of any one of them will suffice, but if a holder other than the first-named holder signs, it will help the registrars if the name of the first-named holder is given.
6. Any alteration to this form must be initialled.
7. Completion and return of this form of proxy does not preclude a member from subsequently attending and voting at the meeting.

3rd Fold and tuck in

PLEASE
AFFIX
POSTAGE
STAMP

Independent Registrars Group Limited
Balfour House
390-398 High Road
ILFORD
Essex
IG1 1BR

1st Fold

2nd Fold