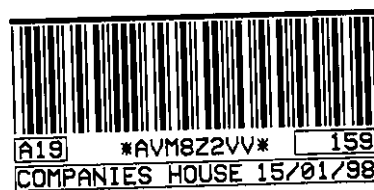


NORMANDIE ESTATES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 1997

Company number: 1835708 (England & Wales)



NORMANDIE ESTATES LIMITED

Company Information

Directors	A. Al-Hassawi (Chairman) N.K. Jaffar
Secretary	Mrs. B.N. Hornby
Company Number	1835708 (England & Wales)
Registered Office	51 South Audley Street London W1Y 6AA
Auditors	Rawi & Co Chartered Accountants and Registered Auditors 128 Ebury Street London SW1W 9QQ

NORMANDIE ESTATES LIMITED

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The following page does not form part of the statutory accounts:

Income and expenditure account

NORMANDIE ESTATES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 1997

The directors submit their report and the financial statements for the year ended 31 March 1997.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare accounts 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 the company for that period. In preparing those accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

PRINCIPAL ACTIVITY

The principal activity during the year was that of short-term furnished lettings and estate agency.

REVIEW OF THE BUSINESS

The loss on ordinary activities for the year before taxation was £124,346 (1996: £150,100). Full details of the results for the year are set out on page 1.

The directors consider the results achieved on the ordinary activity before taxation satisfactory compared with the previous year, and are hopeful of better results in the forthcoming year.

DIVIDENDS

In view of the current and future requirements of the company the directors do not recommend the payment of a dividend.

FIXED ASSETS

Details of movements in fixed assets are set out in note 7 to the financial statements.

NORMANDIE ESTATES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 1997

DIRECTORS AND THEIR INTERESTS

Mr. A. Al-Hassawi and Mr. N. K. Jaffar, who served during the year as directors, did not have any beneficial interests in the Company's issued ordinary share capital, at the beginning and at the end of the financial year.

CLOSE COMPANY STATUS

In the opinion of the directors the company is a close company as defined by the Income and corporation Taxes Act, 1988.

AUDITORS

The auditors, Rawi & Co are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985 by virtue of the resolution passed by the members.

SMALL COMPANY

The above directors report is prepared in accordance with the special provision of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on *January 9,* 1998 and signed on its behalf.



B.N. Hornby (Mrs.)
Secretary

9/1/98

AUDITORS' REPORT

TO THE SHAREHOLDERS OF NORMANDIE ESTATES LIMITED

We have audited the accounts on pages 1 to 6, which have been prepared under the historical cost convention and the accounting policies set out on pages 3.

Respective responsibilities of directors and auditors

As described in the Directors' Report the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

Basis of our 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 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.

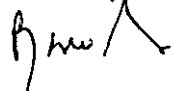
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Fundamental Uncertainty: going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the current and future finances available to the company. The financial statements have been prepared on a going concern basis, the validity of which depends on the continued support of its parent and fellow subsidiary undertakings and that adequate cash facilities will continue to be made available. The financial statements do not include any adjustments that would result from a failure to receive continued financial support. Details of the circumstances relating to this fundamental uncertainty are described in note 1.1 (b) to the financial statements. Our opinion is not qualified in this respect.

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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Rawi & Co
Chartered Accountants and registered Auditors
128 Ebury Street
London
SW1W 9QQ

Date: 13/1/98

NORMANDIE ESTATES LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1997

		1997	1996
	Note	£	£
Turnover	2	309,138	185,930
Less:			
Administrative expenses		<u>(435,128)</u>	<u>(333,613)</u>
Operating profit before interest	3	(125,990)	(147,683)
Interest receivable	5(a)	1,644	1,596
Interest payable	5(b)	-	(4,013)
Profit on ordinary activities before taxation		<u>(124,346)</u>	<u>(150,100)</u>
Taxation	6	-	-
Loss for the year		<u>(124,346)</u>	<u>(150,100)</u>
Adverse balance brought forward		<u>(1,336,577)</u>	<u>(1,186,477)</u>
Adverse balance carried forward		<u>£(1,460,923)</u>	<u>£(1,336,577)</u>

Note

Continuing operations

During 1996 the company commenced to act as Property Managing Agent. None of the company's activities were discontinued during the above two financial years.

Total recognised gains and losses

The company has no recognised gains or losses for 1997 and 1996 other than those included in the profit and loss account.

The notes on pages 3 to 6 form part of these financial statements.

NORMANDIE ESTATES LIMITED

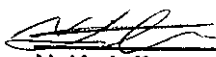
BALANCE SHEET

As at 31 March 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible fixed assets	7	<u>10,129</u>	<u>7,151</u>
CURRENT ASSETS			
Debtors	8	140,454	83,220
Cash at bank and in hand		<u>116,743</u>	<u>47,588</u>
		257,197	130,808
CREDITORS:			
Amounts falling due within one year	9	<u>(1,728,149)</u>	<u>(1,474,436)</u>
NET CURRENT LIABILITIES		<u>(1,470,952)</u>	<u>(1,343,628)</u>
NET LIABILITIES		<u><u>£(1,460,823)</u></u>	<u><u>£(1,336,477)</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account		(1,460,923)	(1,336,577)
EQUITY SHAREHOLDERS DEFICIENCY	11	<u><u>£(1,460,823)</u></u>	<u><u>£(1,336,477)</u></u>

The financial statements are prepared in accordance with the special provision of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board on *January 9,* 1998 and signed on its behalf:

 Director
N. K. Jaffar

The notes on pages 3 to 6 form part of these financial statements.

NORMANDIE ESTATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

(a) Accounting conventions

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

(c) Going concern

The company meets its day to day working capital requirements through internal funding from its parent undertaking and subsidiary undertakings thereof.

The directors have indicated that it is reasonable to rely on the continuation, into the foreseeable future, of financial support of its parent and fellow group undertakings. On the basis of this information and the conduct of its financial affairs subsequent to the balance sheet date, the directors consider it appropriate to prepare the financial statements on the going concern basis.

(b) Cashflow Statement

The company has adopted Financial Reporting Standard No 1 "Cash Flow Statements". As the company is a small reporting entity as defined by the standard it is exempt from including a cash flow statement as part of its financial statements.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant, machinery, fixtures, fittings & office equipment	-	20% straight line
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A full year's depreciation charge is provided on tangible fixed assets acquired during the year and none is provided in the year of disposal.

1.3 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

NORMANDIE ESTATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YAER ENDED 31 MARCH 1997

2. Turnover

Turnover comprises rents receivable from short term lettings and commission receivable, net of Value Added Tax

3. Operating loss before interest

The operating loss is stated after accounting for:

	1997 £	1996 £
Auditors remuneration	4,000	4,000
Depreciation	<u>2,619</u>	<u>1,786</u>

4. Staff costs

Staff costs, were as follows:

	£	£
Wages and salaries	90,184	62,469
Social security costs	<u>7,605</u>	<u>5,127</u>
	<u>97,789</u>	<u>67,596</u>

The directors did not receive any remuneration during the year (1996:nil)

The average weekly number of employees, including directors, during the year was as follows:

Office and administration	<u>9</u>	<u>9</u>
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5. Interest

	£	£
(a) Interest receivable		
From Banks	<u>1,644</u>	<u>1,596</u>
(b) Interest payable		
On amount owed to immediate parent undertaking	=	<u>4,013</u>

NORMANDIE ESTATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

6. Taxation

In view of the company's loss for the year, as adjusted for tax purposes, no provision for corporation tax is considered necessary (1996: £ Nil).

7. Tangible fixed assets

(a) Summary

**Furniture,
fixtures &
equipment**

£

Cost or valuation:

At 1 April 1996	19,709
Additions	5,597
Disposals	-
At 31 March 1997	<u>25,306</u>

Depreciation:

At 1 April 1996	12,558
Charge for the year	2,619
At 31 March 1997	<u>15,177</u>

Net book value:

At 31 March 1997	<u>10,129</u>
At 31 March 1996	<u>7,151</u>

(b) Capital commitments

At 31 March 1997 there were no capital expenditure commitments either authorised but not committed or against which orders had been placed.

8. Debtors

	1997	1996
	£	£
Trade debtors	64,078	4,001
Amounts owed by group undertakings	58,047	58,047
Other debtors and prepayments	18,329	21,172
	<u>140,454</u>	<u>83,220</u>

NORMANDIE ESTATES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997

9. Creditors: amounts falling due within one year	1997	1996
	£	£
Trade creditors	-	116
Other creditors and accruals	130,306	65,488
Amounts owed to group undertakings	<u>1,597,843</u>	<u>1,408,832</u>
	<u>1,728,149</u>	<u>1,474,436</u>
10. Share capital		
	£	£
Equity		
£1 ordinary		
- Authorised	<u>1,000</u>	<u>1,000</u>
- Allotted, called up and fully paid	<u>100</u>	<u>100</u>
11. Reconciliation of movement in shareholders deficiency	1997	1996
	£	£
Loss for the financial year	(124,346)	(150,100)
Opening shareholders' deficit	<u>(1,336,477)</u>	<u>(1,186,377)</u>
Closing shareholders deficit	<u>(1,460,823)</u>	<u>(1,336,477)</u>
12. Parent undertakings		
The company's immediate parent undertaking is Messila House Limited, a company incorporated in England, however the directors regard Alsabahia Incorporated, a company incorporated in Panama as the company's ultimate parent undertaking.		
13. Related party transactions		
a) The effective control of the company is with the directors of the ultimate holding company Alsabahia Incorporated.		
b) The inter-group company transactions for the year ended March 31, 1997 are:		
(i) Commissions received	<u>£55,169</u>	
(ii) Rent paid	<u>£80,386</u>	
(iii) Management charges paid	<u>£58,864</u>	