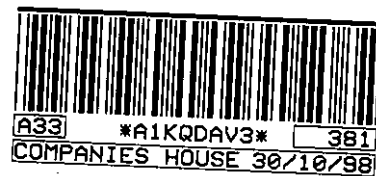


Company No: 2027217 England

MITRECROFT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997



MITRECROFT LIMITED

COMPANY INFORMATION

DIRECTORS:

Mr. N P Kelly

Mr. B S Kelly

SECRETARY

Mr. N P Kelly

REGISTERED OFFICE

The Old Prebendal House
Station Road
Shipton -u- Wychwood
Oxon, OX7 6BQ

COMPANY NUMBER

2027217 England

AUDITORS

Lawrence Braham & Co
8A Accommodation Road
London NW11 8ED

MUTREOCROFT LIMITED

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997

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1	Directors' Report
2	Statement of Directors Responsibilities
3	Auditors' report to the Members
4	Profit and Loss Account
5	Balance Sheet
6	Statement of Total Recognised Gains and Losses
7 - 14	Notes to the Financial Statements

MITRE CROFT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1997

The directors present herewith their annual report, together with the audited financial statements of the company for the year ended 31st December 1997.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £246,950.

The directors do not recommend payment of a dividend for the current year.

REVIEW OF THE BUSINESS

The company's principal activity during the year was that of property development for investment.

The company made a profit during the year under review.

On 10th February 1997, the company was sold to Rosewood Investments Limited, Gibraltar.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

Mr. R J Kendle (resigned 11th February 1997)
Mr. I L Miller (resigned 11th February 1997)
Mr. N P Kelly (appointed 11th February 1997)
Mr. B S Kelly (appointed 11th February 1997)

No director had any interest in the ordinary share capital of the company its parent company or its ultimate parent company at any time during the year.

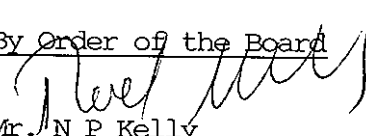
FIXED ASSETS

The movements in fixed assets during the year are set out in note 7 to the accounts.

AUDITORS

It is proposed that the company's present auditors, Lawrence Braham & Co be reappointed as auditors to the company to hold office for the ensuing year.

By Order of the Board


Mr. N P Kelly

Director

Date:

16/10/98

MITRECROFT LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to :

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

AUDITORS' REPORT TO THE MEMBERS OF
MITRECROFT LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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 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, 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 any 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.

Valuation of the company's tangible fixed assets

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements in respect of the valuation of the company's tangible fixed assets. Details of the circumstances relating to the valuation are described in note 7 to the financial statements.

The financial statements do not include any adjustments that may have been found to be necessary had the company's property been formally valued. 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 at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lawrence Braham & Co
Registered Auditor
Chartered Accountants

Lawrence Braham & Co

8A Accommodation Road
London NW11 8ED

Date: 29/10/98

MITRECROFT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
Turnover - continuing operations	1	125,000	125,000
Other operating expenses	2	261,927	(12,106)
Operating profit - continuing operations	3	386,927	112,894
Profit on ordinary activities before interest		386,927	112,894
Interest receivable	5	5,148	-
Interest payable and similar charges	6	(145,125)	(107,877)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		246,950	5,017
Tax on ordinary activities		-	-
RETAINED PROFIT FOR THE YEAR		246,950	5,017
Retained (deficit) brought forward		(156,008)	(161,026)
RETAINED PROFIT/ (DEFICIT) CARRIED FORWARD		£ 90,942	£ (156,009)

The notes on pages 7 to 14 form an integral part of these financial statements.

MITRE CROFT LIMITEDBALANCE SHEETAS AT 31ST DECEMBER 1997

	<u>Notes</u>	£	<u>1997</u> £	£	<u>1996</u> £
FIXED ASSETS					
Tangible assets	7		2,405,887		2,056,636
CURRENT ASSETS					
Debtors	8	726,712		40,821	
Cash at bank and in hand		117,309		314	
			844,021	41,135	
CREDITORS - amounts falling due within one year	9	(288,288)		(943,458)	
NET CURRENT ASSETS/(LIABILITIES)			555,733		(902,323)
ASSETS LESS CURRENT LIABILITIES					
			2,961,620		1,154,313
CREDITORS - amounts falling due after more than one year	10		(1,895,065)		(1,200,320)
NET ASSETS/(LIABILITIES)			£1,066,555	£	(46,007)

Financed by:

CAPITAL AND RESERVES

Called up share capital	11	110,002	110,002
Revaluation reserve		865,611	-
Profit and loss account		90,942	(156,009)
		£1,066,555	£ (46,007)

Mr. N P Kelly



Director

Date:

16/10/98

The notes on pages 7 to 14 form an integral part of these financial statements.

MITRECROFT LIMITED

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Total gains and (losses) recognised relating to the year	<u>£1,112,561</u>	<u>£ 5,017</u>
Total gains and (losses) recognised relating to the year	<u>1,112,561</u>	<u>5,017</u>
Total gains and (losses) recognised since last annual report	<u>£ 246,950</u>	<u>£ 5,017</u>

MITRECROFT LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997

1. ACCOUNTING POLICIES

1.1 Accounting conventions

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold land and in accordance with applicable accounting standards.

1.2 Turnover

Turnover represents rental income and is derived wholly within the United Kingdom.

1.3 Depreciation of tangible assets

Provision is made for depreciation on all tangible assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold buildings: nil per annum on cost
 Fixtures and fittings: 12.50% and 25% per annum on cost

No depreciation is provided on freehold property and improvements as they are maintained in good condition and in the opinion of the directors, any depreciation involved would not be material.

1.4 Deferred taxation

Provision is made by the liability method for all timing differences which are expected to be reversed in the foreseeable future.

2. OTHER OPERATING EXPENSES

	<u>1997</u>	<u>1996</u>
	£	£
Administrative expenses	(261,927)	12,106
	<u>£(261,927)</u>	<u>£12,106</u>

3. OPERATING PROFIT

	<u>1997</u>	<u>1996</u>
	£	£
This is stated after charging (crediting):		
Auditors' remuneration	3,450	4,070
Depreciation	4,897	5,715
Adjustment on disposal of fixed assets	(288,537)	-
	<u> </u>	<u> </u>

MITRECROFT LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997- continued

4. EMPLOYEE INFORMATION

No staff costs were incurred during 1997 or 1996. The average number of employees excluding directors during the year was Nil (1996 - Nil).

No emoluments were paid to directors in 1997 (1996 - Nil).

5. INTEREST RECEIVABLE

	<u>1997</u>	<u>1996</u>
	£	£
Bank interest	5,148	-
Other interest receivable	-	-
	<u>£5,148</u>	<u>£ -</u>

6. INTEREST PAYABLE

	<u>1997</u>	<u>1996</u>
	£	£
On bank loans repayable over more than 5 years	145,125	107,877
	<u>£145,125</u>	<u>£107,877</u>

MITRECROFT LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997- continued

7.1 TANGIBLE FIXED ASSETS

	<u>Freehold property & improvements</u>	<u>Fixtures and fittings</u>	<u>Total</u>
	£	£	£
Cost or valuation:			
At 1st January 1997	2,045,852	54,694	2,100,546
Disposals	(511,463)	-	(511,463)
Revaluation in year	865,611	-	865,611
At 1st January 1997 & At 31st December 1997	2,400,000	54,694	2,454,694
Depreciation:			
At 1st January 1997	-	43,910	43,910
Charge for year	-	4,897	4,897
At 1st January 1997 & At 31st December 1997	-	48,807	48,807
Net book value at 31st December 1997	2,400,000	5,887	2,405,887
Net book value at 31st December 1996	2,045,852	10,784	2,056,636
Comparable amounts determined according to the historical cost convention:			
Cost:	1,534,389	54,694	1,589,083
Accumulated depreciation	-	48,807	48,807
Net book value at 31st December 1997	1,534,389	5,887	1,540,276
Net book value at 31st December 1996	2,045,852	10,784	2,056,636

MITRECROFT LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997- continued

7.2

	<u>1997</u> £	<u>1996</u> £
The net book values of land and building comprises:		
Freehold	2,400,000	2,045,852
	<u>2,400,000</u>	<u>2,045,852</u>

If the fixed asset revaluation had not taken place the net book value would be:

Freehold	<u>1,534,389</u>	<u>2,045,852</u>
----------	------------------	------------------

- 7.3 The company's freehold property and improvements were revalued by the directors at open market value on 31st December 1988 and the resultant loss carried to the profit and loss account. The cost shown above is the revalued amount plus additional expenditure to date. A further revaluation at open market value was carried out by the directors on 31st December 1997 in the sum of £2,400,000. This figure was based on a valuation by Grimleys, International Property Advisors, on 28th February 1996 of the property excluding that part disposed of in 1997. The valuation has been incorporated in the balance sheet and the surplus over net book amount of £865,611 has been added to the revaluation reserve.

8. **DEBTORS**

	<u>1997</u> £	<u>1996</u> £
Amount owed by group undertaking	-	39,015
Amounts owed by related companies	726,296	-
Value added tax	416	1,806
	<u>£726,712</u>	<u>£ 40,821</u>

MITRECROFT LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997- continued

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	1997 £	1996 £
Bank loans and overdraft (see note 10.1)	106,667	77,432
Loan stock 1991-2001 (secured) (see note 10.4)	50,000	750,000
Trade creditors	1,500	16,500
Amounts owed to subsidiaries	105,993	-
Amounts owed to parent undertaking	-	77,232
Accruals	24,128	22,294
	<u>£288,288</u>	<u>£943,458</u>
10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1997 £	1996 £
10.1 Bank loans (secured) (see note 10.2)	1,460,065	1,200,320
Rosewood Investments Limited -:		
Unsecured loan stock 1997-2006	204,544	-
Essex Quay Property and Management Limited -:		
Unsecured loan stock 1997-1999	230,456	-
	<u>£1,895,065</u>	<u>£1,200,320</u>
10.2 The total amount of bank loans and overdrafts was as follows:	1997 £	1996 £
Falling due within one year:		
Bank loan installments due within 1 year	106,667	77,432
	<u>106,667</u>	<u>77,432</u>
Falling due after more than one year:		
Bank loan installments- repayable within 2-5 years	426,667	376,832
Bank loan installments- repayable over 5 years	1,033,398	823,488
	<u>1,460,065</u>	<u>1,200,320</u>
Total bank borrowings	<u>£1,566,732</u>	<u>£1,277,752</u>

MITRECROFT LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997- continued

- 10.3 The bank loan of £1,277,752 was repaid in full on 10th February 1997. A new loan was obtained and is repayable over a 15 year period in quarterly instalments commencing on 10 May 1997. The rate of interest is 2.5% over bank base rates.
The bank loan and overdraft is secured on the freehold property of the company, also by intercompany cross guarantee and by debenture over the assets of the company and its subsidiary company. Rosewood Investments Limited and Essex Quay Property and Management Limited have given Letters of Postponement to the company's bankers.

10.4 The Loan stock 1991-2001 is held as follows:	<u>1997</u> £	<u>1996</u> £
Connected person of the director of the former ultimate holding company	-	250,000
Former ultimate holding company	50,000	500,000
	<u>£ 50,000</u>	<u>£ 750,000</u>

11. SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, Issued and fully paid</u>	
	£	<u>1997</u> £	<u>1996</u> £
110,002 Ordinary shares of £1 each	200,000	110,002	110,002

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS	<u>1997</u> £	<u>1996</u> £
Profit/(losses) for the financial year	246,950	5,017
Dividends	-	-
	<u>246,950</u>	<u>5,017</u>
Other recognised gains and losses for year	865,611	-
	<u>1,112,561</u>	<u>5,017</u>
Net addition to shareholders funds	(46,006)	(51,024)
Opening balance of shareholders funds		
Surplus/(deficit) carried forward	<u>£1,066,555</u>	<u>£ (46,007)</u>

MITRECROFT LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997- continued

13. COMMITMENTS AND CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

There is a contingent liability in respect of a grant received from English Heritage for repairs to part of the company's freehold property. This grant would become repayable if the freehold property were to be disposed of before 28 August 2000 and also if certain conditions relating to public access and permissions for conversion or alteration were not complied with. The contingent liability in respect of this grant amounts to £96,600.

14. RELATED PARTY TRANSACTIONS

The freehold property of the company is leased to its subsidiary company. Operating lease rental received were:

<u>1997</u>	<u>1996</u>
<u>£</u>	<u>£</u>
<u>125,000</u>	<u>125,000</u>

Freehold land was sold to Reading West Limited, a related company. The proceeds of sale were £800,000 giving a profit in the accounts of £288,537.

15. ULTIMATE HOLDING COMPANY

On 10th February 1997 Rosewood Investments Limited, Gibraltar became the ultimate holding company, prior to that date the company regarded James Lane Holdings (I.O.M.) Limited as its ultimate holding company.

MITRECROFT LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997- continued

16. GROUP FINANCIAL STATEMENTS

The company has taken advantage of the exemption not to prepare group financial statements conferred by Section 248 Companies Act 1985.

£

Capital and reserves of subsidiary at 31st December 1997

Called up share capital	2
Profit and loss account	94,874
	<u>£ 94,876</u>

Profit on ordinary activities for the year ended 31st December 1997.

£ 136,304

The subsidiary undertaking is Old Prebendal House Limited, a company registered in England.

17. STATEMENT OF CASH FLOWS

The company has taken advantage of the exemption not to prepare a cash flow statement conferred by Financial Reporting Standard I - Cash Flow Statements, as it is entitled to file Abbreviated Accounts for a small company.