

FAIRHOLD (HUDDERSFIELD) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1998



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DIRECTORS AND OFFICERS

DIRECTOR

W K Procter

SECRETARY

A Koukou

REGISTERED OFFICE

Euro House
131/133 Ballards Lane
London N3 1GR

DIRECTORS' REPORT

The Directors submit their report and the financial statements for the year ended 31st December 1998.

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 year. In preparing those financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent; and
- c. 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 enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors 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.

Principal activities

The principal activity of the Company during the year was property dealing.

Business review and future developments

The Directors are satisfied with the result for the year and the financial position at the year end. They consider the Company's prospects to be sound.

Dividends

The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors who served during the year and their interests, as defined in the Companies Act 1985, in the shares of the Company at 31st December 1998 were as follows:

		Ordinary shares of £1 each
W K Procter		-
V A Tchenguiz	(resigned 30th July 1999)	-
R M Spiro	(resigned 25th August 1999)	-
M S J Harden	(appointed 6th July 1998, resigned 2nd December 1999)	-
R S Carlowe	(resigned 13th May 1998)	-

W K Procter is also director of the United Kingdom holding company, Owners Provident Plc, and his interest therein is shown in that company's directors report.

DIRECTORS' REPORT (Continued)

Year 2000

A centrally managed and co-ordinated programme was undertaken to address the impact on the business of the Year 2000 and this was completed before the end of 1999. All computer systems, telecommunication and other technical systems were assessed. The incremental cost of this programme was not material.

Subsequent to this review, it appears that the Company's systems and processes are Year 2000 compliant, and the directors anticipate that this will continue to be the case.

Auditors

Pursuant to an elective resolution the company has elected not to re-appoint its auditors annually and Messrs Baker Tilly will continue in office in accordance with the provisions of Section 386 of the Companies Act 1985.

By order of the Board



W K Procter
Director

12/4/ 2000

AUDITORS' REPORT TO THE MEMBERS OF FAIRHOLD (HUDDERSFIELD) LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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 those statements and to report our opinion to you.

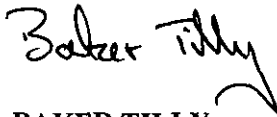
Basis of opinion

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 the Company's affairs at 31st December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**BAKER TILLY**

Chartered Accountants
and Registered Auditors

The Clock House
140 London Road
Guildford
Surrey GU1 1UW

12 April 2000

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1998

	Notes	1998 £	1997 £
Turnover	1	385,398	466,324
Cost of sales		(142,458)	(157,362)
Gross profit		242,940	308,962
Administrative expenses		(271,001)	(118,068)
Other operating income		415,253	361,035
Operating profit		387,192	551,929
Interest payable	2	(391,765)	(305,050)
Interest receivable		6,183	2,506
Profit on ordinary activities before taxation	3	1,610	249,385
Tax on profit on ordinary activities	5	(1,479)	(32,085)
Profit for the financial year	12	£ 131	£ 217,300

All amounts relate to continuing activities.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt within the Profit and Loss Account.

BALANCE SHEET

AT 31ST DECEMBER 1998

	Notes	1998		1997	
		£	£	£	£
Fixed assets					
Investments	6		648,214		641,107
Current assets					
Stock	7	3,926,142		3,455,114	
Debtors	8	1,180,010		1,127,061	
Cash at bank and in hand		70,550		162,337	
		<u>5,176,702</u>		<u>4,744,512</u>	
Creditors: Amounts falling due within one year	9	<u>(2,649,298)</u>		<u>(2,013,999)</u>	
Net current assets			<u>2,527,404</u>		<u>2,730,513</u>
Total assets less current liabilities			<u>3,175,618</u>		<u>3,371,620</u>
Creditors: Amounts falling due after more than one year	10		<u>(2,890,076)</u>		<u>(3,086,209)</u>
Net assets			<u>£ 285,542</u>		<u>£ 285,411</u>
Capital and reserves					
Called up share capital	11		2		2
Profit and loss account	12		285,540		285,409
Shareholders' funds	12		<u>£ 285,542</u>		<u>£ 285,411</u>

Approved by the Board on 12/4/ 2000 and signed on its behalf by



W K Procter
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

1. Accounting policies

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

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Investments

Investments in subsidiary undertakings are stated at cost less provision for permanent diminution in value.

Group accounts are not prepared as the Company is itself a wholly-owned subsidiary undertaking.

Stocks

Properties acquired with a view to resale are identified as trading stock and stated at the lower of cost and net realisable value. Cost comprises the cost of acquisition including directly attributable fees, expenses and finance costs.

Turnover and recognition of profit

Turnover comprises the sale proceeds of trading stocks.

Profit on the sale of properties is recognised on agreement of the sale.

Deferred taxation

Deferred taxation is calculated on the liability method. It is provided to the extent that it is considered, with reasonable probability, that a liability will become payable within the foreseeable future.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking.

2. Interest payable

	Year ended 31.12.98 £	Year ended 31.12.97 £
Bank overdraft	-	109
Bank loans	264,497	144,290
Other loans	127,268	160,651
	£ 391,765	£ 305,050

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

3. Profit on Ordinary Activities before taxation	1998	1997
This is stated after charging:-		
Auditors' emoluments	£ 5,000	£ 2,350
	<u> </u>	<u> </u>
Other operating income includes:-		
Rent receivable	£ 306,031	£ 282,402
	<u> </u>	<u> </u>

4. Employees and directors

Other than the directors, who received no emoluments for their services, no persons were employed during the year (1997 - £Nil).

5. Taxation

	1998	1997
United Kingdom corporation tax at 31% (1997:31%)	-	32,085
Underprovision in previous year	1,479	-
	<u> </u>	<u> </u>
	£ 1,479	£ 32,085
	<u> </u>	<u> </u>

There is no current charge to taxation due to the availability of group relief for which no interest or charge will be incurred.

6. Fixed asset investments

	Subsidiary undertakings £
Cost and net book value	
At 1st January 1998	641,107
Additions	7,107
	<u> </u>
At 31st December 1998	£ 648,214
	<u> </u>

The subsidiary undertakings are West Lancashire Investments Limited and Fairhold (Midlands) Limited, which are both wholly-owned, registered and with their place of business in England and Wales, and respectively engaged in property dealing and property investment.

The aggregate amount of the subsidiaries' share capital and reserves at the end of the financial year and the results for that period were as follows:

	Profit after tax 1998 £	Aggregate capital and reserves 1998 £
West Lancashire Investments Limited	139,701	603,086
Fairhold (Midlands) Limited	(7,257)	148,495
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

7. Stock	1998	1997
Properties held for resale	£ 3,926,142	£ 3,455,114
	<u> </u>	<u> </u>
8. Debtors	1998	1997
	£	£
Trade debtors	302,930	255,641
Amounts owed by group undertakings	495,779	732,723
Amounts owed by related parties	268,642	54,053
Other debtors	5,000	6,750
Prepayments and accrued income	107,659	77,894
	<u> </u>	<u> </u>
	£ 1,180,010	£ 1,127,061
	<u> </u>	<u> </u>
9. Creditors: Amounts falling due within one year	1998	1997
	£	£
Bank loan (see note 10)	583,657	254,350
Corporation tax	-	32,085
Amounts owed to related parties	27,831	-
Accruals and deferred income	95,953	93,884
Amounts owed to group undertakings	1,941,857	1,633,680
	<u> </u>	<u> </u>
	£ 2,649,298	£ 2,013,999
	<u> </u>	<u> </u>

Included within amounts owed to group undertakings is an unsecured loan of £1,414,088 (1997: £1,546,621). Interest is charged at 8.5%. No repayment terms are specified.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

10. Creditors: Amounts falling due after more than one year	1998	1997
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Bank loan	£ 2,890,076	£ 3,086,209
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The bank loan is secured on certain of the Company's trading properties. It bears interest at a fixed rate of 8.6% on £2,737,461 and 20% on £163,123 and at a floating rate of 1.5% over the bank's base rate on £ 543,149. The loan is repayable as follows:

Within one year	583,657	254,350
Within one to two years	168,756	216,197
Within two to five years	448,250	572,288
	<u>1,200,663</u>	<u>1,042,835</u>
After five years	2,273,070	2,297,724
	<u>3,473,733</u>	<u>3,340,559</u>
Less: included in current liabilities	(583,657)	(254,350)
	<u>£ 2,890,076</u>	<u>£ 3,086,209</u>

11. Share capital	1998	1997
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Authorised:		
100 ordinary shares of £1 each	£ 100	£ 100
	<u> </u>	<u> </u>
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	£ 2	£ 2
	<u> </u>	<u> </u>

12. Reserves and reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 1st January 1998	2	285,409	285,411
Profit for the financial year	-	131	131
	<u>2</u>	<u>285,540</u>	<u>£ 285,542</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31ST DECEMBER 1998**

13. Contingent liability

The Company is party to cross-guarantees to support similar loans made available to group companies and related parties as part of a larger facility. The total value of the loans subject to these cross-guarantees, including the loan to the company, amounted to £5,992,439 at the balance sheet date.

14. United Kingdom holding company

The company's closest intermediate holding company for which group accounts are drawn up is Owners Provident plc which is registered in England and Wales. This parent undertaking is the holding company of both the largest and smallest group for which group accounts are prepared and of which the company is a member. Copies of the financial statements are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

15. Ultimate holding company

The directors regard the ultimate holding company to be Euro Investments Overseas Inc., a company incorporated in the British Virgin Islands.

16. Controlling party

The ultimate controlling party is the Tchenguiz Family Trust.

17. Related party transactions

The company provides funding to, and receives funding from, certain companies controlled by the Tchenguiz Family Trust. The sums are disclosed as amounts owed to/by related parties and interest paid parties.

The Company and the Group have taken advantage of the exemption within Financial Reporting Standard 8 not to disclose intra-group related party transactions between subsidiary undertakings where more than 90% of the voting rights are controlled within the group.

18. Introduction of the Euro

All relevant parts of the Company will be able to handle Euro transactions when required.