

PIKEDAWN LIMITED
(Registered Number 3377310)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1998



PIKEDAWN LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the company is that of property development.

REVIEW OF THE BUSINESS

On 12 December 1997 the company entered into an agreement to purchase a property for conversion into a residential dwelling and entered into a joint agreement with the Raven Close Nominees Limited for its development.

On 23 January 1998 the company completed the purchase of the property and subsequently commenced conversion.

The loss for the year attributable to shareholders amounts to £219,720.

The directors do not recommend payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors during the year are:

A D Kennan

J M Fickling

A D Kennan and J M Fickling are both directors of K & F Developments Limited which is the holding company of Pikedawn Limited. The directors interests in the share capital of K & F Developments Limited are shown in that company's financial statements.

FUTURE DEVELOPMENTS

Since the year end conversion is continuing on the property.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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 judgement and estimates that are reasonable and prudent;

PIKEDAWN LIMITED

DIRECTOR'S REPORT *(continued)*

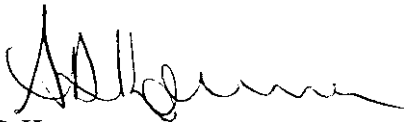
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

PricewaterhouseCoopers have been appointed as auditors, a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board.



A D Kennan
Director

7 January 2000

AUDITORS' REPORT TO THE MEMBERS OF PIKEDAWN LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared under the historical cost convention and the accounts policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual report, including as described on pages 1 and 2, the financial statements. Our responsibilities as independent auditors, are established by statute the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you, if in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions is not disclosed.

We read the other information contained in the Annual report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

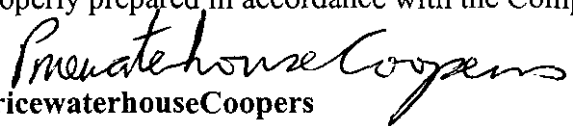
Basis of opinion

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 misstatements, 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 as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and
Registered Auditors
Newcastle upon Tyne

7 January 2000

PIKEDAWN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
TURNOVER		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Administrative expenses		(219,812)	(2,500)
OPERATING LOSS		(219,812)	(2,500)
Interest receivable and similar income		335	-
Interest payable and similar charges		(243)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(219,720)	(2,500)
Taxation on loss on ordinary activities	3	-	-
LOSS FOR THE FINANCIAL YEAR		(219,720)	(2,500)
PROFIT AND LOSS RESERVES BROUGHT FORWARD		(2,500)	-
PROFIT AND LOSS RESERVES CARRIED FORWARD	6	£(222,220)	£(2,500)

The company has no recognised gains or losses other than the loss for the year and a statement of total recognised gains or losses has not been prepared.

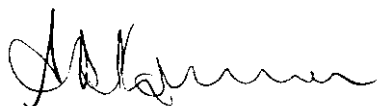
There is no material difference between the losses as reported above and losses calculated on a historical cost basis.

PIKEDAWN LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	<u>Notes</u>		<u>1998</u>	<u>1997</u>
CURRENT ASSETS				
Stock	4	2,801,625	47,480	
Bank and cash		3,318	-	
		2,804,943	47,480	
CREDITORS (Amounts falling due within one year)	5	(3,027,161)	(49,978)	
NET CURRENT LIABILITIES			(222,218)	(2,498)
TOTAL ASSETS LESS CURRENT LIABILITIES			£(222,218)	£(2,498)
SHARE CAPITAL AND RESERVES				
Called up equity share capital	7		2	2
Profit and loss account	6		(222,220)	(2,500)
EQUITY SHAREHOLDERS' FUNDS	6		£(222,218)	£(2,498)

The financial statements on pages 4 to 7 were approved by the Board of Directors on 7 January 2000 and are signed on its behalf by:



AD Kennan
Director

PIKEDAWN LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998

1 ACCOUNTING POLICIES

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

a) Stocks

Stock is valued at cost plus incidental expenditure relating to the development of the property. The Directors consider that the value of stock is recoverable.

b) Cash flow statement

In the opinion of the directors the company falls within the definition of a small reporting entity contained in the Financial Reporting Standard Number 1 and they have therefore taken advantage of the provisions of the statement which exempt such entities from the requirements to include a cash flow statement within their accounts.

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities is stated after charging:

	<u>1998</u>	<u>1997</u>
Auditors' remuneration	£1,000	£1,000
	<u> </u>	<u> </u>

3 TAXATION

The tax charge on the profit on ordinary activities comprises:

	<u>1998</u>	<u>1997</u>
UK corporation tax at 21%		
- based on losses for the year	£ -	£-
	<u> </u>	<u> </u>

4 STOCK

	<u>1998</u>	<u>1997</u>
Work in progress	£2,801,625	£47,480
	<u> </u>	<u> </u>

5 CREDITORS (amounts falling due within one year)

	<u>1998</u>	<u>1997</u>
Trade creditors	-	32,290
Amount owing to K & F Developments Ltd	3,022,161	15,188
Accruals and deferred income	5,000	2,500
	<u> </u>	<u> </u>
	£3,027,161	£49,978
	<u> </u>	<u> </u>

PIKEDAWN LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (continued)

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Called up equity share capital</u>	<u>Profit and loss account</u>	<u>Total</u>
Opening shareholders' funds	2	(2,500)	(2,498)
Loss for the year	-	(219,720)	(219,720)
Closing shareholders' funds	<u>£2</u>	<u>£(222,220)</u>	<u>£(222,218)</u>

7 CALLED UP SHARE CAPITAL

Authorised share capital

	<u>1998</u>	<u>1997</u>
100 ordinary shares of £1 each	<u>£100</u>	<u>£100</u>

Issued, allotted and fully paid

	<u>1998</u>	<u>1997</u>
2 ordinary shares of £1 each	<u>£2</u>	<u>£2</u>

8 CAPITAL COMMITMENTS

The company had no capital commitments or contingent liabilities as at 31 December 1998

9 SUBSEQUENT EVENTS

Since the year end the company has received £1,200,000 to continue the property development. This has been received via a loan from K & F Developments Limited.

10 ULTIMATE CONTROLLING PARTY

The parent undertaking of the company is K & F Developments Limited, a company registered in England and Wales.

The ultimate controlling party of the company is J M Fickling Esq, a director of this company and of K & F Developments Limited.