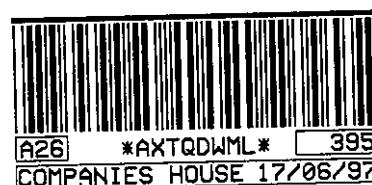


**Annual report
for the year ended 31 December 1996**

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Directors and advisers

Directors

J S Bradley (Chairman)
S F McAdam

Secretary and registered office

B L Jacobs
Admiral's Offices
Historic Dockyard
Chatham
Kent
ME4 4JQ

Registered auditors

Coopers & Lybrand
Orchard House
10 Albion Place
Maidstone
Kent ME14 5DZ

Solicitors

Pothecary & Barratt
Talbot House
Gracechurch Street
London EC3V 0BS

Bankers

Midland Bank plc
Poultry and Princes Street
London EC2P 2BX

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 activities

The company managed a freehold property which had become surplus to the core business of the group.

Review of business and future developments

The profit and loss account for the year is set out on page 6.

The company disposed of the freehold property at Stratford during the year, and will continue to trade until it has recovered all amounts owing to it, or that may become receivable in the future.

Dividends

The directors now recommend that a final dividend of £5,000,000 be proposed in respect of the year ended 31 December 1996.

Directors

The directors of the company at 31 December 1996, all of whom have been directors for the whole of the year ended on that date, except where indicated, were:

J S Bradley	
S H Robinson	(resigned 27 December 1996)
D W Sharman	(resigned 27 December 1996)
S F McAdam	

Directors' interests

The directors had no direct interest in the shares of the company at 31 December 1996, and (other than those who are directors of the parent company) had no direct interests in the shares of the ultimate parent company at 31 December 1996.

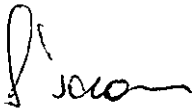
Creditor payment policy

It is the company's policy to abide by terms of payments agreed with suppliers. In many cases, the terms of payment are stated in the supplier's own literature. In other cases, the terms of payment are determined by specific written or oral agreement. The company does not follow any published code or standard on payment practices.

Auditors

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

By order of the board

A handwritten signature in black ink, appearing to read 'B L Jacobs', written over a horizontal line.

B L Jacobs
Company Secretary
7 March 1997

Statement of directors' responsibilities

The directors are required by UK company law 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 for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and 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 maintaining proper accounting records, in accordance with the Companies Act 1985, for safeguarding the assets of the company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

Report of the auditors to the members of R.T.Z. Estates Limited

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

As described on page 4 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.

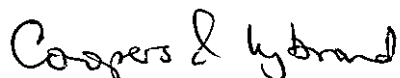
Basis of opinion

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 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 31 December 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
MAIDSTONE
7 March 1997

**Profit and loss account
for the year ended 31 December 1996**

	Notes	1996 £	1995 £
Turnover - discontinued operations	2	135,000	886,074
Net operating expenses - discontinued operations	3	(438,018)	(462,679)
Operating (loss)/profit - discontinued operations		(303,018)	423,395
(Loss)/profit on disposal of fixed assets		(824)	2,130,168
Provision for closure costs		(200,000)	-
Amounts written off investments	10	(1,771,006)	-
Provision for diminution in value of property		738,109	(310,641)
Investment income	6	6,308,694	63,261
Profit on ordinary activities before taxation	7	4,771,955	2,306,183
Tax on profit on ordinary activities	8	98,012	(443,292)
Profit on ordinary activities after taxation		4,869,967	1,862,891
Dividends		5,000,000	-
Loss/profit for the financial year	16	(130,033)	1,862,891

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Balance sheet at 31 December 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	9	20,243	532,880
Investments	10	691,520	2,462,526
		<u>711,763</u>	<u>2,995,406</u>
Current assets			
Debtors	11	22,146,919	7,308,273
Cash at bank and in hand	12	387,589	3,135,300
		<u>22,534,508</u>	<u>10,443,573</u>
Creditors:			
Amounts falling due within one year	13	11,021,029	1,083,704
Net current assets		<u>11,513,479</u>	<u>9,359,869</u>
Net assets		<u>12,225,242</u>	<u>12,355,275</u>
Capital and reserves			
Called up share capital	15	11,939,328	11,939,328
Share premium account		5,610	5,610
Profit and loss account	16	280,304	410,337
Equity shareholders' funds	17	<u>12,225,242</u>	<u>12,355,275</u>

The financial statements on pages 6 to 15 were approved by the board of directors on 7 March 1997 and were signed on its behalf by:



J S Bradley
Director

**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. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Turnover

Turnover which excludes value added tax, represents the invoiced value of services supplied.

Deferred taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Group accounts

The company is entitled to the exemption conferred by Section 228 of the Companies Act 1985, from the requirement to prepare group accounts. In the opinion of the directors, the aggregate value of the assets of the company, consisting of shares in and amounts owing from its subsidiaries, is not less than the aggregate of the amount at which those assets are included in the balance sheet.

Cash flow statement

The company is a wholly owned subsidiary of a UK company and has therefore taken advantage of the provisions in Financial Reporting Standard 1 (Revised) and has not prepared a cash flow statement.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write-off the cost, or valuation of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings, plant and machinery	Between 7 and 20 years
Short leasehold property	Over the period of the lease
Long leasehold property	50 years

Freehold land is not depreciated

Operating leases

Assets held for use in operating leases are included within fixed assets in the balance sheet and depreciated over the life of the asset. Rentals received from the operating leases are credited to profit and loss account on a straight line basis over the lease term.

Assets held under operating leases are not included within fixed assets in the balance sheet. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The expected cost of pensions in respect of group defined benefit pension schemes in which the company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Contributions are based on pension costs across the RTZ group as a whole. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes in line with the allocation by the principal employer of such variations between companies in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

2 Turnover

	1996 £	1995 £
Discontinued operations		
Rental receivable from operating leases	-	754,964
Management fees	135,000	131,110
	<u>135,000</u>	<u>886,074</u>

3 Net operating expenses

	1996 £	1995 £
Discontinued operations		
Administration expenses	288,018	331,569
Management fees	150,000	131,110
	<u>438,018</u>	<u>462,679</u>

4 Directors' emoluments

	1996 £	1995 £
Fees	2,000	2,000

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	-	-
The highest-paid director	2,000	2,000

No other directors received any emoluments from the company during the year.

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges were:

	1996 Number	1995 Number
£0 - £5,000	4	4

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1996 Number	1995 Number
By activity		
Administration	3	3
	<u> </u>	<u> </u>
	1996	1995
	£	£
Staff costs (for the above persons)		
Wages and salaries	117,543	94,009
Social security costs	13,072	10,461
Other pension costs	588	470
	<u> </u>	<u> </u>
	131,203	104,940
	<u> </u>	<u> </u>

6 Investment income

	1996 £	1995 £
Dividends received from subsidiary undertaking	6,265,730	-
Interest receivable	42,964	63,261
	<u> </u>	<u> </u>
	6,308,694	63,261
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	11,849	21,630
Operating lease rentals for land and buildings	23,159	19,620
Auditors' remuneration		
- Audit	5,305	9,199
- Other	11,708	16,323
and after crediting:		
Rental income from operating leases	-	754,964
	<u> </u>	<u> </u>

8 Tax on profit on ordinary activities

	1996 £	1995 £
United Kingdom corporation tax at 33% (1995: 33%):		
Current	(12,075)	444,605
Transfer from deferred taxation	-	(260)
Over provision in respect of prior years	(85,937)	(1,053)
	<u>(98,012)</u>	<u>443,292</u>

9 Tangible fixed assets

	Freehold land £	Short leasehold property £	Fixtures, fittings, plant & machinery £	Total £
Cost				
At 1 January 1996	5,005,140	11,863	95,832	5,112,835
Additions	83,291	-	5,029	88,320
Disposals	(5,088,431)	-	(25,859)	(5,114,290)
At 31 December 1996	<u>-</u>	<u>11,863</u>	<u>75,002</u>	<u>86,865</u>
Depreciation				
At 1 January 1996	4,505,140	11,724	63,091	4,579,955
Provision for diminution in value	(738,109)	-	-	(738,109)
Charge for the year	-	139	11,710	11,849
Disposals	(3,767,031)	-	(20,042)	(3,787,073)
At 31 December 1996	<u>-</u>	<u>11,863</u>	<u>54,759</u>	<u>66,622</u>
Net book value				
At 31 December 1996	<u>-</u>	<u>-</u>	<u>20,243</u>	<u>20,243</u>
At 31 December 1995	<u>500,000</u>	<u>139</u>	<u>32,741</u>	<u>532,880</u>

The net book value of tangible fixed assets includes an amount of £nil (1995: Nil) in respect of assets held for use in operating leases.

10 Fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 1996	2,462,526
Write down of investment	(1,771,006)
	<hr/>
At 31 December 1996	691,520
	<hr/> <hr/>

Shares in group undertakings comprise the cost of investments in subsidiary undertakings.

Details of subsidiary undertakings are as follows:

Name of company and country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares held	Principal business activity
Orlinpoint Limited - England	Ordinary £1	100%	Non-trading
Western Properties Limited - England	Ordinary £1	100%	Property investment
Packgate Limited - England	Ordinary £1	100%	Non-trading

11 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	64,244	-
Amounts owed by group undertakings	22,026,268	7,237,514
Other debtors	53,307	54,741
Prepayments and accrued income	3,100	16,018
	<hr/>	<hr/>
	22,146,919	7,308,273
	<hr/> <hr/>	<hr/> <hr/>

12 Cash at bank and in hand

Under a group banking arrangement the bank balance of £398,111 (1995: £3,140,736) could be used to offset the overdraft of other group companies.

13 Creditors: amounts falling due within one year

	1996 £	1995 £
Trade creditors	2,847	43,097
Amounts owed to group undertakings	10,747,667	32,412
Corporation tax	40,156	496,836
Accruals and deferred income	38,518	119,464
Other creditors	191,841	391,895
	<u>11,021,029</u>	<u>1,083,704</u>

14 Pension and similar obligations

The company participates in a group pension scheme in the UK which is of the defined benefit type. The assets of the scheme are held in a separate trustee administered fund. The details from the most recent actuarial reviews, which were carried out at 31 March 1995, are disclosed in the accounts of The RTZ Corporation PLC, the ultimate parent company.

15 Called up share capital

	1996 £	1995 £
Authorised		
12,500,000 ordinary shares of £1 each	<u>12,500,000</u>	<u>12,500,000</u>
Allotted, called up and fully paid		
11,939,328 ordinary shares of £1 each	<u>11,939,328</u>	<u>11,939,328</u>

16 Profit and loss account

	£
At 1 January 1996	410,337
Loss for the financial year	(130,033)
At 31 December 1996	<u>280,304</u>

17 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
(Loss)/profit for the financial year	(130,033)	1,862,891
Opening shareholders' funds	12,355,275	10,492,384
Closing shareholders' funds	12,225,242	12,355,275

18 Financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1996 £	1995 £
Expiring within one year	18,098	19,620

19 Ultimate parent company

The company is controlled by RTZ European Holdings Limited, which owns 100% of the issued share capital of the company. The directors regard The RTZ Corporation PLC, registered in England and Wales, as the ultimate parent company, and also as the ultimate controlling party. The only group in which the results of the company are consolidated is that of which The RTZ Corporation PLC is the parent company. The consolidated financial statements of The RTZ Corporation PLC can be obtained from The Secretary, The RTZ Corporation PLC, 6 St James's Square, London SW1Y 4LD.