

HIGHLIGHTS

"The Group's strategy has been to concentrate resources on development and on properties where value can be added from management action.

That strategy has proved sound, against a background of weak investment property values, and has contributed to an increase in non ring fenced net assets per share of 9.5% for the year."

During the year,

- * Non ring fenced net asset value per share increased by 9.5% to 0.69p per share
- * Sale of a further 12 properties in reduction of ring fenced debt
- * Acquisition of joint venture interests in office investments at Richmond, Surrey and at Church Street, Reading
- * Outline planning consent awarded for 50,000 sq ft new office development joint venture adjacent to Reading railway station

Since the year end,

- * Planning consents obtained for a new 35,000 sq ft retail development at Cannock, Staffordshire
- * Planning consent granted for change to retail use on 22,000 sq ft of industrial space at the investment property at Oldbury, West Midlands
- * Planning application being submitted for 150,000 sq ft retail and business park on a nine acre site at Stirchley, Birmingham
- * Proposed share consolidation at a rate of 1 for 200



DIRECTORS AND ADVISERS

Directors	D J Sebire FCA	<i>Chairman</i>
	W Higgins FRICS	<i>Chief Executive</i>
	P M Ridal FCA MCT	<i>Finance Director</i>
	N J C Turnbull LLB CA	<i>Non Executive Director</i>
	M Higgins FRICS	<i>Non Executive Director</i>
Company Secretary	P M Ridal FCA MCT	
Main Bankers	Drummonds Royal Bank of Scotland PLC 49 Charing Cross Admiralty Arch London, SW1A 2DX	
Registered Auditors	Coopers & Lybrand 9 Greyfriars Road Reading RG1 1JG	
Solicitors	Slaughter and May 35 Basinghall Street London EC2V 5DB	
Corporate Advisers and Stockbrokers	Paribas Limited 33 Wigmore Street London W1H 0BN	
Registrars	Lloyds Bank PLC Goring-by-Sea, Worthing West Sussex BN99 6DB	
Registered Office	24 Brook's Mews London W1Y 1LF	
Registered Number	Registered in England and Wales No. 552331	

CHAIRMAN'S STATEMENT

Results

Shareholders' funds, excluding ring fenced assets and liabilities, at 30th June 1995 have increased by 9.5% to £9,132,000 (0.69p per share) from £8,259,000 (0.63p per share) at 30th June 1994. Excluding ring fenced operations, the total turnover amounted to £1,198,000 and the loss on ordinary activities before taxation was £122,000.

The ring fenced loss on ordinary activities before taxation was £1,653,000. I would remind shareholders that the ongoing non ring fenced business is protected from the ring fenced losses by the effect of the Master Banking Agreement which was put in place at the time of the financial reconstruction of the Group during December 1993.

In summary, the ring fenced losses have no effect on the ongoing non ring fenced business. Further comment on the results is made in the Operating and Financial Review.

Consolidation of Share Capital

The Board has been concerned by the volatility of the Company's share price and the wide spread between bid and offer prices. After taking advice from the Company's stockbrokers, the Board has decided to recommend a consolidation of the existing ordinary shares at the rate of 200 existing ordinary shares into one new ordinary £2 share. It is also proposed and recommended that each of the resultant ordinary £2 share then be immediately split into one new ordinary 50p share and one deferred £1.50 share which will be of no value and carry no rights. After the proposed consolidation and splitting, the new ordinary 50p shares will have attributable net assets per share, on the basis of the non ring fenced net assets shown in the audited Balance Sheet at 30th June 1995, of 138p. This proposal should have a number of advantages, including:-

- reduced dealing costs for shareholders in that it is expected the spread between bid and offer prices will reduce, and
- £9.93m will be made available in the form of deferred share capital which, together with the existing balance on Share Premium Account, will, with the consent of the Court, be applied to eliminate the negative balance on profit & loss account, thereby enabling the Company to declare dividends out of future profits as and when generated.

Resolutions to effect the changes to the share capital as described above will be put to shareholders at an Extraordinary General Meeting immediately following the Annual General Meeting on 12th December 1995 and are detailed in the accompanying letter to shareholders.

Ring Fences and Master Banking Agreement

Since the year end further progress has been made in eliminating ring fenced assets and liabilities. A further two ring fenced properties have been sold after the year end for a consideration of £590,000.

CHAIRMAN'S STATEMENT

In addition, conditional contracts have been exchanged for the sale, for a nominal consideration, of the Company's entire interest in Ossory Property Investments Limited ("OPIL"), a ring fenced subsidiary which holds properties with a value, at 30th June 1995 of £11,970,000 and has net borrowings of £17,399,000. The effect of completing this transaction will be to eliminate from the Group balance sheet a substantial proportion of the ring fenced assets and liabilities and to reduce by some £5,989,000 the limited recourse reserve which the Company is obliged by accounting rules to state on the Balance Sheet. The disposal of OPIL will also include a reorganisation of the Pils Financing, which is described in the accounts, such that all aspects of that financial structure will be removed from the Group.

There is also now a realistic prospect of eliminating the two other remaining UK ring fenced portfolios from the Balance Sheet by the end of 1995.

Management change

As will be clear from both my statement and the Operating and Financial Review, a satisfactory disposal of the major ring fenced portfolios and the consolidation of the share capital will mark the end of the Company's reconstruction phase. I have therefore decided that it is an appropriate time for me to retire as Chairman. Accordingly, I shall be leaving the Board at the conclusion of the Annual General Meeting.

Prospects

The Board has for some time been searching actively for corporate acquisitions. The existence of the ring fences and the complexity of the Group's financial position has inhibited the acquisition negotiations so far undertaken. To date no suitably attractive opportunities have been identified, however, the search will continue. In the meantime, it is the Board's intention to continue to reduce operating costs to a level commensurate with the Group's current activities following elimination of the UK ring fences.

David J Sebire

Chairman

OPERATING AND FINANCIAL REVIEW

Strategy for Growth

In the year under review, the Group's strategy has been to concentrate resources on developments and properties where value can be added from management action.

That strategy has proved sound, against a background of weak investment property values, and has contributed to an increase in non ring fenced assets per share of 9.5% for the year.

It is the Board's objective to achieve further growth in net asset value per share by a combination of:

- corporate acquisitions,
- containing overhead costs to levels appropriate to the scale of operation, and
- further investment in property development and income generating properties which present opportunities for adding value by management action.

The financial structuring of investments is also a vital component in achieving that growth. Future activities will increasingly be carried out jointly with financial partners.

Acquisitions

The Board continues to search actively for corporate acquisitions with the combined objective of increasing the size of the property portfolio and achieving economies of scale on operating costs. A number of informal acquisition discussions have been held, but the Group's financial complexity has been an inhibiting factor and to date, no suitably attractive opportunities have been identified. It is hoped that, now further progress is being made on the disposal of ring fenced assets, future negotiations will be fruitful.

Operating costs

The management and disposal of the ring fenced properties has been time consuming and has taken a large proportion of the operating resources of the Group. As compensation the Group received cash income during the year of £234,000, funded by the ring fenced banks, for the management of the ring fenced properties. Further reductions in the Group's operating costs will be possible in the context of completing the ring fence asset disposals. The operating costs of the Group have been reduced by over 60% from the levels that existed prior to the December 1993 re-financing.

The 'non ring fenced' portfolio

At 30th June 1995, the non ring fenced investment portfolio comprises seven income generating properties with a value of £10.57m and associated debt of £6.49m. The net equity in these investments of £4.08m represents 45% of the total effective Group net worth of £9.1m.

Based on the valuations at 30th June 1995, the Group has £3.7m of funds invested in three development properties, against which there are no associated bank borrowings. The non ring fenced profit before tax for the year includes a credit in respect of the release of provisions against development properties held as current assets. The net realisable value of those development properties has increased as a result of obtaining improved planning consents. A realisation of these developments, when completed, would generate significant positive cashflow in the future.

Opportunities to make disposals of investment properties at favourable values have been taken during the year. Two Scottish retail investment properties, let to Kwiksave, have been sold for a net consideration of £1.9m. A contract, conditional on planning consent, was signed in June 1995 for the sale of an investment property in Paddington, West London. Further disposals of investment properties will be made when appropriate circumstances arise.

OPERATING AND FINANCIAL REVIEW

A further opportunity has been taken to 'buy-out' a ring fenced property. As reported at the half year, and as further explained below, Percy Business Park at Oldbury, West Midlands has been re-financed during the year. Such 'buy-outs' are achieved by agreeing a full and final cash settlement for the release of the ring fenced banks' security. Funds for such re-financings are obtained from the Company's own resources and from new borrowing facilities. Percy Business Park has produced an initial 15% p.a. yield based on the re-financing value. Progress since the re-financing is explained below

Two separately incorporated joint ventures have been formed during the year. As reported in the half year results, a 49% interest in Findrack Properties Limited ('Findrack') was acquired for £735,000. The purchase consideration has been satisfied by the issue of £650,000 of Orb Estates PLC Convertible 5% Loan Note 2010 at par and £85,000 in cash. Findrack's principal asset is Spencer House, a 27,500 sq ft office investment in Richmond, Surrey, let to Credit Agricole until 2014. Findrack is self-financing and benefits from medium term borrowings with a fixed interest rate of 8.88% p.a. There are encouraging rental growth prospects now evident in Richmond due to the shortage of good quality office buildings in that area. The second corporate joint venture is an office refurbishment project in Reading, which is described below.

Good progress has been made during the year on developing the portfolio:

Reading – Office refurbishment

A joint venture with Allied London Properties PLC has been formed to acquire, for a net consideration of £1.9m, a 25,000 sq ft office building. The property is situated in Church Street, Reading within 150 yards of the proposed new Oracle shopping centre, and has 73 underground car parking spaces. The principal tenant is Unison, which has entered into a new lease on a larger area. Refurbished and converted vacant space of 10,000 sq ft is currently being marketed.

Reading – Proposed office development

Also in Reading, in joint venture with an adjoining land owner, an outline consent for an office development has been obtained. The proposed development comprises 50,000 sq ft with 43 car parking spaces, and is situated close to the railway station in Reading. Architects, Hamilton Associates, have designed a modern, environmentally friendly building and a detailed planning application is being prepared.

Stirchley, Birmingham – Proposed retail and business park development

The site has been expanded to approximately nine acres to enable a larger development. A planning application for a 66,000 sq ft non-food retail park, a fast food restaurant and 82,600 sq ft business park is being submitted. The application includes a proposal for a road improvement scheme which will improve traffic circulation and access to the development.

Oldbury, West Midlands – Refurbishment of business park and new retail space

As reported at the half year this 85,000 sq ft estate, adjacent to Junction 2 on the M5, was re-financed out of the "ring fence". A change of use planning approval to convert to non-food retail use has recently been granted on 22,000 sq ft which is already let. Prospects for a significant improvement in value over the next year, because of the change of use and possible further lettings, are good. Building work is in progress to refurbish industrial units at the rear of the property.

Cannock, Staffordshire – Proposed retail development

A joint venture with Morrison Developments has been formed to assemble a site for a retail park development. Planning consent has recently been obtained for a scheme comprising a food store of 35,000 sq ft and other units comprising both food and non-food retail uses and restaurants. The planning consents follow extensive negotiations with the local authorities and Highways Agency to provide road improvements which are funded under the Private Finance Initiative. Strong interest has been shown by potential occupiers and negotiations for conditional pre-sales are progressing.

OPERATING AND FINANCIAL REVIEW

Disposal of ring fenced assets

Between December 1993 and 30th June 1995 a total of 27 ring fenced properties have been sold which has reduced ring fenced borrowings by £22m. Further ring fenced assets disposals are at an advanced stage of negotiation and announcements will be made when transactions are completed.

When the Group was re-financed in December 1993 it was the intention to dispose of all the UK ring fenced assets within a two year period. That objective is now close to being achieved.

During 1993, and prior to the re-structuring of the Group, certain subsidiaries entered into Receivership or Liquidation. The details of those companies are disclosed in note 11 to the accounts on page 28. The Directors do not expect the Group to suffer any losses, which have not already been provided for in the accounts, from the insolvency of those companies.

The Company has ring fenced subsidiaries in the USA and Canada. In November 1994 Ossory Canada Inc. won judgement of Can\$2.25m against a former tenant, which has been appealed by the defendant. The court procedures in Ottawa are such that the appeal may not be heard for at least a further year. In the USA further ring fenced assets have been disposed of resulting in a further reduction of ring fenced debt of US\$720,000. The two main assets remaining to be disposed of are the partnership interests in development land at Brandywine, near Washington DC, and two campus style office investments at Great Valley, Malvern, near Philadelphia.

'Non ring fenced' borrowings

The non ring fenced investment properties are held in special purpose subsidiary companies and are part financed by medium term bank loans. The holding company has given no guarantees, or other similar undertakings, in respect of the borrowings of subsidiaries.

Of the total amount of non ring fenced bank debt shown in the balance sheet at 30th June 1995, 78% is at fixed interest rates. All loan interest payable during the year has been written off to profit and loss account. The weighted average interest rate on the fixed rate loans is 10.14%. The fixed rates expire between March 1997 and March 1999. The variable rate loans are linked to LIBOR and margins vary between 1.75% and 2.00%.

The development sites are financed wholly from shareholders' funds and do not have any associated bank borrowings secured upon them.

Tax losses

At 30th June 1995 the Group has estimated tax losses of £25m available which comprise £13m of revenue losses and £12m of capital losses.

Summary

It is the intention to reinvest the net proceeds from the eventual disposal of the Group's current development properties into a mixture of developments, income generating properties and joint developments as opportunities arise. It is also the objective to create a broader spread of investment risk, a higher net income yield and further increases in net asset value. Little prospect for growth in value has been seen for fully rented investment properties, but there may be opportunities arising in certain sectors during the forthcoming year as market conditions change.

Since taking over in January 1994, the new management has rationalised the financial structure of the Company and is now establishing a portfolio of investments and innovative developments which have potential to produce further growth in net asset value.

William Higgins
Chief Executive

Philip Ridal
Finance Director

DIRECTORS' REPORT

The Directors present their report and the audited accounts of the Group for the year ended 30th June 1995.

Principal activity

The principal activity of the Group remains the investment, development and dealing in commercial and residential property.

Business review

A review of the business is contained in the Chairman's Statement and the Operating and Financial Review. The results of the Group are set out on page 14. The loss for the year of £1,816,000 has been transferred to reserves.

Re-financing of Ossory Estates PLC – December 1993

The Company was previously known as Ossory Estates PLC which, because of exposure to high levels of bank debt, undertook a financial reconstruction in December 1993. A key element in that re-financing was an agreement with the banks to ring fence the Group's bank borrowings. Under the terms of that agreement, the repayment of the ring fenced bank debt was limited to the realisation proceeds from the ring fenced property assets over which those banks had security. The ring fencing of the old bank debt has protected the Company from the previously high levels of bank borrowings and has enabled new capital to be subscribed.

Master Banking Agreement – summary of terms

The ring fencing of the old bank liabilities and limitation of recourse to ring fenced assets has been achieved by a 'Master Banking Agreement' ("MBA") with the ring fence banks which was signed as part of the re-financing of the Group in December 1993.

Under the terms of the MBA each bank agreed that, on disposal or refinancing by the Group, their existing facilities would be repayable from the proceeds of each bank's existing security (excluding any guarantees) and from net rental receipts. These arrangements are referred to as "ring fences" or "ring fenced" assets and liabilities.

The MBA also provides for rental receipts from ring fenced properties to be applied against non-recoverable property outgoing, enhancement costs of those properties and interest payable on the relevant ring fenced loans. Property enhancement costs comprise expenditure on a property which is not recoverable through the service charges to tenants and costs incurred in connection with the letting or sale of a property.

The banks which are party to the MBA fall into two categories; Release Fee banks and Equity Conversion banks. As part consideration for agreeing to the limitation on recourse Release Fee banks opted to receive, and have been paid, a release fee in cash at a rate of 1% of the total debt outstanding at 31st December 1993. Equity Conversion banks opted to convert their eventual shortfall, if any, (and subject to certain limitations as to the maximum amount of shortfall convertible) into ordinary shares in the Company at a rate of one ordinary share for every 60p of shortfall and to receive a crystallisation fee at a rate of 2% of the total debt outstanding as at 31st December 1993 also to be settled by issuing one ordinary share for every 60p of crystallisation fee payable.

Presentation of accounts – ring fences

The Group's balance sheet is presented in three columns to show the ring fenced assets and liabilities separately from the ongoing, non ring fenced operations. The total column aggregates the ring fenced and the non ring fenced columns and represents the statutory accounts of the Group as required by the Companies Act 1985 and UK accounting standards. The Directors believe that the columnar presentation is necessary to give a true and fair view. The ring fenced column in the balance sheet will eventually be removed from the accounts as the ring fenced assets are disposed of and the debts eliminated.

The new capital subscribed at December 1993 is presented as the non ring fenced column in the balance sheet. The shareholders' funds shown in the non ring fenced column represents the underlying net asset value of the Group after eliminating the ring fenced liabilities. At 30th June 1995 the non ring fenced asset value was £9.1m (1994:£8.3m) which is equivalent to 0.69p (1994:0.63p) per share based on the fully diluted number of shares of 1.325 billion currently in issue.

DIRECTORS' REPORT

The full potential liability of the ring fenced debt is shown in the balance sheet, but is split between the amounts which are equal to the value of the banks' security, and the amounts in excess of the value of the security. The amount in excess of the security value is referred to as the "shortfall". At 30th June 1995 the aggregate shortfalls were £9,867,000 (1994:£5,066,000). The Group is not required to repay the shortfalls which will either be forgiven by the banks or converted into ordinary shares as described above.

When the disposal of all the security in the relevant ring fence is completed the final shortfall amount becomes crystallised. The accounting consequences at crystallisation are determined by the terms of the MBA. For the Release Fee Banks, the amount of any shortfall is recognised as a realised profit in the profit and loss account at crystallisation. For Equity Conversion Banks, at crystallisation the convertible shortfall is converted into paid up share capital as to 1p, and share premium account as to 59p of every 60p of converted shortfall. Any excess of the actual shortfall over the converted shortfall is recognised as a realised profit in the profit and loss account at crystallisation.

The accounts reflect the benefit of the shortfalls which have crystallised up to the date on which these accounts have been approved by the Board as the final amount of the shortfall has been determined. An amount equal to the convertible shortfalls in respect of equity conversions which have occurred after the year end but before the date of approval of the accounts is credited to share conversion reserve.

Share capital

As referred to in the Chairman's Statement, it is proposed to reorganise the share capital of the Company. Resolutions to effect the changes to the share capital will be put to shareholders at an Extraordinary General Meeting immediately following the Annual General Meeting and are detailed in the accompanying letter to shareholders.

During the year 14,080,085 ordinary shares have been issued in respect of shortfalls which have crystallised under the terms of the Master Banking Agreement. A maximum of a further 5,035,113 ordinary shares may be issued in respect of shortfalls which crystallise in the future.

Dividend

There is a deficit on the profit and loss account and accordingly the Directors do not recommend the payment of a dividend.

Fixed assets

Information regarding fixed assets is given in notes 10 and 11 of the accounts.

Charitable and political donations

During the year the Group has made no donations to charitable institutions or political organisations (1994: £nil).

Company status

In the opinion of the Directors, the Company was not a close company for taxation purposes during the year and there has been no change in this respect since 30th June 1995.

Directors

The present membership of the Board is as set out on page 2. The dates of appointment during the year and resignation of the Directors who served during the year were:

	<i>Date of appointment</i>	<i>Date of resignation</i>
P M Ridal	24th August 1994	
F R Gulmohamed		24th August 1994

Mitchell Higgins retires by rotation and, being eligible, offers himself for re-election. Mitchell Higgins does not have a service contract with the Group.

Nigel J C Turnbull (aged 52) is a chartered accountant. He has extensive experience in the finance and property sectors. In 1991 he was appointed deputy and then chief executive of Rosehaugh PLC with a view to turning round that Group, which eventually went into Receivership in December 1992. He was Group Finance Director of Newarthill PLC from May 1993 to December 1994. He is now Chief Executive of Terrace Hill Group PLC.

DIRECTORS' REPORT

Mitchell Higgins (aged 52) is a chartered quantity surveyor. After working as a quantity surveyor in London and overseas he started his own construction company, operating in the Aberdeen area, which he sold in 1993. Since 1984 he has also operated his own private property company.

Directors' interests

The interests, all beneficial, of the Directors in the ordinary share capital of the Company are as set out below:

	<i>At 30th June 1995</i>	<i>At 1st July 1994</i>
W Higgins	44,637,000	44,637,000
M Higgins	42,285,258	42,275,258
D J Sebire	18,707,925	18,707,925
N J C Turnbull	1,565,712	1,565,712

There has been no change in the above interests between 30th June 1995 and the date of this report.

Share option agreements, dated 2nd December 1993, between the Company and Ultra Securities (Holdings) Limited (beneficially owned by Mr Sebire) and between the Company and Mr William Higgins pursuant to which the Company granted to Ultra Securities (Holdings) Limited and Mr William Higgins three separate options each to subscribe such number of ordinary shares as equal 1% and 2 1/3 % respectively of the ordinary shares in issue immediately prior to the exercise of any such option (rounded down to the nearest whole number), were in each case issued at a subscription price of 1p (subject to adjustment in the event of any ordinary shares being issued by way of rights, pursuant to any options or to any other third party), each such option terminating on 2nd December 2000.

These options can be summarised as follows: One option is exercisable at any time. The second option is exercisable at any time after the publication of the interim financial statement of the Company for the half-year ending 31st December 1994, provided that the net asset value per share as shown by a consolidated balance sheet of the Company as at a date no earlier than 31st December 1994, is not less than 110% of the net asset value per share, as shown by the consolidated balance sheet of the Company as at 31st December 1993. The third option is exercisable at any time after the publication of the interim financial statement of the Company for the half-year ending 31st December 1995, provided that the net asset value per share, as shown by a consolidated balance sheet of the Company as at a date no earlier than 31st December 1995 is not less than 120% of the net asset value per share, as shown by the consolidated balance sheet as at 31st December 1994, and provided further that the second option has become exercisable.

Directors' and officers' liability insurance

During the year the Company maintained liability insurance for its directors and officers as permitted by Section 310 of the Companies Act 1985.

Statement of Directors' responsibilities

UK 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 Group as at the end of the financial year, and of the profit or loss of the Group 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 accounts; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and 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 of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

Major shareholdings

The Directors have been notified of the following substantial interests in the share capital of the Company at 31st October 1995.

	<i>New ordinary shares of 1p each</i>	<i>% of issued share capital</i>
TR Property Investment Trust PLC	50,448,319	3.81
Banque Paribas	50,000,000	3.77
British Alcan Pension Fund	44,779,403	3.38
Sigma Pension Fund Investments	40,000,000	3.02

Annual General Meeting – Special Business

The Annual General Meeting will be held at 11.30 a.m. on 12th December 1995 at College Hill Associates Limited, 4th Floor, 29 Gresham Street, London EC2V 7AH. The Notice of the Meeting appears on pages 35 and 36 of this document. Two items of Special Business will be proposed:

- (1) Section 80 of the Companies Act 1985 prevents the directors of a company from allotting shares and from granting rights to shares unless authorised to do so by the shareholders in general meeting or by the Company's articles of association. Such authority has in recent years been given to the Directors by shareholders and Resolution 5 seeks to extend this authority to the next Annual General Meeting, subject to the limitations set out in the Resolution, up to an aggregate nominal amount representing fifteen per cent. of the total ordinary share capital of the Company in issue as at the date of this report.
- (2) Under Section 89(1) of the Companies Act 1985, a Company may not allot equity securities for cash without first offering them pro rata to existing shareholders, unless the Directors are authorised to do so by a special resolution. Resolution 6 seeks to renew the authority of the Directors, pursuant to Section 95 of the Companies Act 1985, to allot equity securities as if Section 89(1) of that Act did not apply to such allotments. Similar resolutions have been approved by shareholders in recent years. If passed, the Resolution will give the Directors the authority to allot shares in connection with a rights issue and shares for cash up to an aggregate nominal amount, being less than five per cent. of the issued share capital, as set out in the Resolution, without being subject to Section 89(1) of the Act.

The Directors have no present intention of allotting shares or issuing equity securities, except for those to be allotted or issued pursuant to existing share options and to the convertible loan note issued by the Company on 24th March 1995, both of which are covered by shareholders' authorities obtained at earlier Annual General Meetings. Notwithstanding this, the Directors consider it appropriate to retain the flexibility conferred by these authorities.

Auditors

Coopers & Lybrand have stated that they do not intend to seek re-appointment as Auditors of the Company at the forthcoming Annual General Meeting. Resolutions to appoint Touche Ross & Co. in place of Coopers & Lybrand as Auditors of the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting. Coopers & Lybrand have indicated that there are no circumstances connected with their resignation as Auditors of the Company which they consider should be brought to the attention of the shareholders or the creditors of the Company.

By Order of the Board

P M Ridal
Secretary

9th November 1995

CORPORATE GOVERNANCE STATEMENT

The Company has complied throughout the period with the Cadbury Code of Best Practice (the "Code") except as noted below and to the extent that it is effective. The guidance for directors to report on internal control is not yet effective.

Board of Directors

The Board comprises a part-time executive Chairman, two full-time executive directors and two non executive directors rather than three as required by the Code. Each executive director is employed under a service contract which can be terminated on not more than 12 months notice. The non executive directors have formalised terms of reference and fixed periods of appointment. One of the non executive directors, Mitchell Higgins is the brother of the Chief Executive, William Higgins. The Directors meet regularly and retain full and effective control over the Company. A formal schedule of matters has been reserved to the Board for decision.

Board committees

The Audit Committee and the Nomination Committee comprise Nigel Turnbull as Chairman, David Sebire and Mitchell Higgins. The Remuneration Committee comprises Nigel Turnbull as Chairman and Mitchell Higgins.

The Audit Committee comprises only two non executive directors and consequently the Company is unable to comply with that part of the Code which requires an audit committee to comprise at least three non executive directors. The Audit Committee meets with the external auditors to consider the interim and full year results prior to submission to the Board. It also monitors the Group's accounting policies and matters arising from the external audit, considers matters of significance relating to internal financial control and considers the appointment and remuneration of the auditors.

The Remuneration Committee comprises two non executive directors. The Committee is responsible, inter alia, for approving the remuneration of directors, including incentive arrangements for the executive directors. Note 6 to the accounts on page 23 provides details of individual directors' remuneration.

The Nomination Committee makes recommendations on the balance and composition of the Board and identifies candidates to fill executive and non executive vacancies for approval by the Board as a whole.

Internal financial control

The Directors are responsible for the Company's system of internal financial control. The system of internal financial control is designed to provide reasonable but not absolute assurance against material mis-statement or loss. The Company has an established framework of internal financial controls.

- Financial reporting – Comprehensive budgets and forecasts are approved by the Directors on a regular periodic basis. Operating results are reported quarterly, treasury information is reported monthly and liquid resources are reported weekly, and compared with budgets and forecasts. The Company reports to shareholders on a semi-annual basis.
- Operating controls – Financial control procedures have been implemented within the Group and are monitored on a continuing basis. A number of other key areas have been identified which are subject to regular reporting to the Board which include property and tenancy status reports, joint venture management and investment appraisals. The Group has clearly defined expenditure and payment authorisation procedures.

Going concern

The Directors have reviewed the Group's existing liquid resources and borrowing facilities and the cash flow forecasts and budgets for the period to 31st December 1996 and are satisfied that the Group and the Company have adequate resources to continue as going concerns for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

AUDITORS' REPORTS

REPORT OF THE AUDITORS TO ORB ESTATES PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the Directors' statements on page 12 on the Company's compliance with the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not properly disclosed.

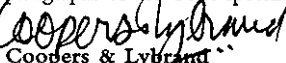
Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

Opinion

With respect to the Directors' statements on internal financial control and going concern on page 12, in our opinion the Directors have provided the going concern disclosures required by paragraph 4.6 of the Code and have explained the extent of their compliance with the disclosures on internal financial control required by paragraph 4.5 of the Code (both as supplemented by the related guidance for directors). Their statements in respect of both are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 12 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.


Coopers & Lybrand
Chartered Accountants
Reading

9th November 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF ORB ESTATES PLC

We have audited the financial statements on pages 14 to 34.

Respective responsibilities of directors and auditors

As described in the Directors' Report on page 10, 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 financial 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 affairs of the Company and the Group at 30th June 1995 and of the loss, total recognised gains and losses and cashflows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading

9th November 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June

	Notes	Non ring fenced 1995 £000	Ring fenced 1995 £000	Total 1995 £000	Total 1994 £000
Turnover from continuing operations	1,2	1,198	5,098	6,296	11,263
Cost of sales and property outgoings		364	(2,873)	(2,509)	(6,120)
Gross profit	2	1,562	2,225	3,787	5,143
Net operating expenses		(1,075)	(329)	(1,404)	(2,221)
Operating profit from continuing operations	2	487	1,896	2,383	2,922
Profit/(loss) on sale of investments	2	34	(237)	(203)	626
Amounts credited to/(written off) properties and investments		13	(803)	(790)	49
Exceptional item – financial reconstruction	3	–	277	277	6,158
Profit on ordinary activities before interest and taxation		534	1,133	1,667	9,755
Net interest payable and similar charges	4	(656)	(2,786)	(3,442)	(4,321)
(Loss)/profit on ordinary activities before taxation	1, 5	(122)	(1,653)	(1,775)	5,434
Taxation	8	(12)	(29)	(41)	46
(Loss)/ retained profit for the year	17	(134)	(1,682)	(1,816)	5,480
(Loss)/earnings per share:	9	(0.01)p		(0.14)p	0.78p

The notes on pages 19 to 34 form part of these accounts.

CONSOLIDATED BALANCE SHEET

at 30th June

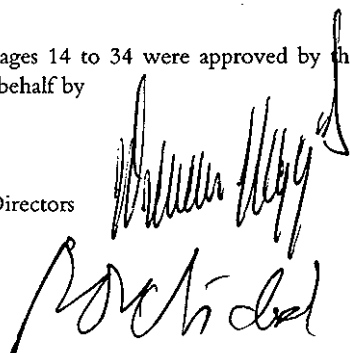
	Notes	Non ring fenced 1995 £000	Ring fenced 1995 £000	Total 1995 £000	Non ring fenced 1994 £000	Ring fenced 1994 £000	Total 1994 £000
Fixed assets							
Tangible assets	10	10,669	18,107	28,776	10,833	26,112	36,945
Investments	11	1,189	2,272	3,461	5	2,881	2,886
		11,858	20,379	32,237	10,838	28,993	39,831
Current assets							
Trading properties	12	3,916	5,385	9,301	3,010	7,305	10,315
Debtors	13	176	375	551	912	717	1,629
Cash at bank and in hand		1,560	2,489	4,049	1,914	1,313	3,227
		5,652	8,249	13,901	5,836	9,335	15,171
Creditors: amounts falling due within one year							
Limited recourse loans							
amounts equal to security value	14	-	(22,121)	(22,121)	-	(31,508)	(31,508)
amounts in excess of security value	14	-	(9,867)	(9,867)	-	(5,066)	(5,066)
Other creditors	14	(1,377)	(1,550)	(2,927)	(1,389)	(1,597)	(2,986)
		(1,377)	(33,538)	(34,915)	(1,389)	(38,171)	(39,560)
Net current assets/(liabilities)		4,275	(25,289)	(21,014)	4,447	(28,836)	(24,389)
Total assets less current liabilities		16,133	(4,910)	11,223	15,285	157	15,442
Creditors: amounts falling due after more than one year							
	15	(7,001)	(4,957)	(11,958)	(7,026)	(5,223)	(12,249)
Net assets/(liabilities)		9,132	(9,867)	(735)	8,259	(5,066)	3,193
Capital and reserves:							
Called up share capital	16	13,253	-	13,253	13,112	-	13,112
Share premium account	17	8,460	-	8,460	153	-	153
Share conversion reserve	17	256	-	256	8,777	-	8,777
Revaluation reserve	17	(3,058)	-	(3,058)	(1,089)	-	(1,089)
Profit and loss account	17	(19,646)	-	(19,646)	(17,760)	-	(17,760)
Limited recourse reserve		9,867	(9,867)	-	5,066	(5,066)	-
Equity shareholders' funds		9,132	(9,867)	(735)	8,259	(5,066)	3,193
Net asset value/(deficit) per share	9	0.69p		(0.06)p	0.63p		0.24p

The accounts on pages 14 to 34 were approved by the Board of Directors on 9th November 1995 and were signed on its behalf by

W Higgins

P M Ridal

} Directors



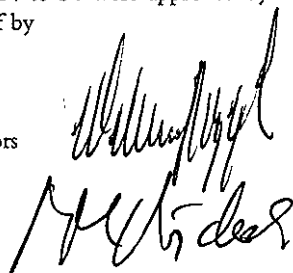
COMPANY BALANCE SHEET

at 30th June

	Notes	1995 £000	As restated 1994 £000
Fixed assets			
Tangible assets	10	1,276	1,001
Investments	11	56,500	59,292
		57,776	60,293
Current assets			
Debtors	13	115	88
Cash at bank and in hand		1,119	214
		1,234	302
Creditors: amounts falling due within one year			
Limited recourse loans			
amounts equal to security value	14	(2,874)	(8,044)
amounts in excess of security value	14	(2,700)	(2,028)
Other creditors	14	(50,294)	(47,657)
		(55,868)	(57,729)
Net current liabilities		(54,634)	(57,427)
Total assets less current liabilities		3,142	2,866
Creditors: amounts falling due after more than one year	15	(650)	—
Net assets		2,492	2,866
Capital and reserves			
Called up share capital	16	13,253	13,112
Share premium account	17	8,460	153
Share conversion reserve	17	256	8,777
Revaluation reserve	17	311	11
Profit and loss account	17	(19,788)	(19,187)
Equity shareholders' funds		2,492	2,866

The accounts on pages 14 to 34 were approved by the Board of Directors on 9th November 1995 and were signed on its behalf by

W Higgins }
P M Ridal } Directors



TOTAL RECOGNISED GAINS AND LOSSES

Statement of total recognised gains and losses

	1995 £000	1994 £000
(Loss)/retained profit for the year	(1,816)	5,480
Unrealised deficit on revaluation of investments and investment properties	(2,002)	(893)
Currency translation differences on foreign currency net investments	(37)	(27)
Total recognised (losses)/gains for the year	(3,855)	4,560

Movement in shareholders' funds

	1995 £000	1994 £000
Total recognised (loss)/gain for the year	(3,855)	4,560
Shares issued through placing and open offer	-	8,350
Shares issued for the acquisition of subsidiaries	-	2,675
Crystallised shortfalls transferred to share conversion reserve	-	8,245
Shares issued to non-banking creditors	-	1,183
Crystallisation fees transferred to share conversion reserve	26	532
Crystallised shortfalls satisfied by shares	(84)	117
Crystallisation fees satisfied by shares	(15)	33
Goodwill written off to reserves	-	(18)
Movement in shareholders' funds	(3,928)	25,677
Opening shareholders' funds	3,193	(22,484)
Closing shareholders' funds	(735)	3,193

Note of historical cost profits and losses

	1995 £000	1994 £000
Reported (loss)/profit on ordinary activities before taxation	(1,775)	5,434
Realisation of revaluation gains and losses of previous years on assets sold in the year	(34)	191
Realisation of revaluation deficits of previous years on assets reclassified to trading properties in the year	-	(35)
Historical cost (loss)/profit on ordinary activities before taxation	(1,809)	5,590
Historical cost (loss)/profit for the year retained after taxation	(1,805)	5,636

There is no difference between historical cost depreciation and depreciation calculated on revalued amounts because fixed assets held at valuation are not depreciated, as explained in the accounting policy note on investment properties.

The notes on pages 19 to 34 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30th June

	Notes	1995 £000	1994 £000
Net inflow from operating activities	23	3,781	6,969
Returns on investments and servicing of finance			
Interest received		111	240
Interest paid		(3,657)	(4,677)
Net cash outflow from returns on investments and servicing of finance		(3,546)	(4,437)
Taxation			
Tax recovered		–	85
Tax paid		(80)	–
		(80)	85
Investing activities			
Purchase of investment properties		(207)	(1,009)
Purchase of other fixed assets		(36)	(103)
Acquisition of subsidiaries		–	(195)
Acquisition of associated undertakings		(288)	–
Disposal of investment properties		4,986	7,034
Disposal of investments		1,056	302
Disposal of other fixed assets		17	80
Net cash inflow from investing activities		5,528	6,109
Net cash inflow before financing		5,683	8,726
Financing			
Issue of share capital for cash		–	8,350
(Decrease)/increase in mortgage loans	26	(537)	1,128
Refinancing costs		–	(2,340)
Repayment of principal under finance leases		(8)	–
Net cash (outflow)/inflow from financing		(545)	7,138
Increase in cash and cash equivalents	25	5,138	15,864

The notes on pages 19 to 34 form part of these accounts.

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention modified by the revaluation of properties and in accordance with applicable accounting standards in the UK. The significant accounting policies adopted by the Group, which have been applied consistently, except for the change of accounting policy for investments referred to below, are as set out below.

Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiary undertakings. Subsidiary undertakings which are in receivership or liquidation or which are subject to long term restriction are not consolidated. The results of acquisitions and disposals of subsidiary undertakings during the year are consolidated from or up to the date effective control passes. Investments in limited partnerships in the USA and associated undertakings are consolidated such that the Group's share of pre-tax profits and losses and attributable taxation are included in the Group profit and loss account and the Group balance sheet reflects the Group's share of the underlying net assets, excluding goodwill, in investments. As permitted by section 230 of the Companies Act 1985, the profit and loss account for the Company has not been presented in the financial statements.

Investment properties

Non ring fenced investment properties are revalued annually by independent professional valuers. Ring fenced investment properties are revalued annually by the Directors and every three years by independent professional valuers. The aggregate surplus or deficit is transferred to revaluation reserve except for permanent diminutions in value below cost, which are written off to profit and loss account. No depreciation is provided in respect of investment properties. The requirement in the Companies Act 1985 that all properties should be depreciated conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice No. 19. In the opinion of the Directors, to depreciate investment properties would not give a true and fair view and accordingly investment properties are included in the financial statements at open market value. The effect of depreciation of value is already reflected annually in the valuation of properties, and the amount attributable to this factor cannot reasonably be separately identified or quantified. Had the provisions of the Act been followed, net assets would not have been affected but revenue profits would have been reduced for this and earlier years.

Other tangible fixed assets

The cost of other tangible fixed assets is their purchase cost together with any incidental costs of acquisition. They are depreciated at rates ranging from 15 to 25% per annum, calculated to write off, on the straight line basis, the cost to their residual value over their estimated useful lives.

Investments

Investments in subsidiary and associated undertakings in the parent company balance sheet are stated at cost less provisions to reduce the carrying value to book value of the underlying net assets, where that is less than cost and there has been a permanent diminution in value. Previously, all such investments were carried at the book value of the underlying net assets. The effect of the resulting adjustments is shown in note 27 to the accounts. In assessing the book value of the underlying net assets of subsidiaries, the uncrystallised shortfalls on Limited Recourse Loans in those subsidiaries have not been recognised as liabilities.

Trading properties

Trading properties are stated at the lower of cost and net realisable value.

Limited recourse loans

One of the key elements of the reconstruction in 1993/94 was the agreement with the Group's bankers, referred to as the Master Banking Agreement ("MBA"). Under the terms of the MBA each bank agreed that, on disposal or refinancing by the Group, their existing facilities would be repayable from the proceeds of each bank's existing security (excluding any guarantees) and from net rental receipts. These arrangements are referred to in the financial statements as "ring fences" or "ring fenced" assets and liabilities. Based on the asset valuations used in the accounts there is an amount of £9,867,000 (1994: £5,066,000) included within liabilities in the Group balance sheet which represents the aggregate amount of uncrystallised shortfalls at the date of approval of these accounts. If those ring fenced assets were to be disposed of at the valuation used in the accounts the shortfalls would either be recognised as realised profits or converted into share capital and share premium in accordance with the terms of the MBA. The amount of any net shortfall in the value of each bank's security is crystallised in the Group's accounts only when the disposal of all the security in the relevant ring fence is complete. The accounting consequences at crystallisation are determined by the terms of the MBA.

ACCOUNTING POLICIES

The banks which are party to the MBA fall into two categories. Some banks ("Release Fee Banks") opted to receive a release fee in cash at a rate of 1% of the total debt outstanding and the others ("Equity Conversion Banks") opted to convert their eventual shortfall, if any, (and subject to certain limitations as to the maximum amount of shortfall convertible) into ordinary shares at a rate of one ordinary share for every 60p of shortfall and to receive a crystallisation fee at a rate of 2% of the total debt outstanding also to be settled by issuing one ordinary share for every 60p of crystallisation fee payable. For the Release Fee Banks, the amount of any net shortfall is recognised as a realised profit in the profit and loss account at crystallisation. For Equity Conversion Banks, at crystallisation the convertible shortfall is converted into paid up share capital as to 1p, and share premium account as to 59p of every 60p of converted shortfall. Any excess of the actual shortfall over the converted shortfall is recognised as a realised profit in the profit and loss account at crystallisation.

The net profit and loss account effect of the reconstruction is disclosed as an exceptional item because of its fundamental nature. The balance sheet for the Group has been presented in columnar form to show the ring fenced assets and liabilities separately from the other assets and liabilities of the Group, which reflect the ongoing business. The amount of the uncrystallised shortfalls referred to above is reflected in the limited recourse reserve. The Group balance sheet shows the aggregate of the ring fenced and the other assets and liabilities of the Group and includes the amount of the uncrystallised shortfalls as a liability. The Directors believe that this columnar presentation is necessary to give a true and fair view.

Share conversion reserve

The accounts reflect the benefit of crystallisations which have occurred up to the date on which these accounts have been approved by the Board as the final amount of the shortfall has been determined. An amount equal to the crystallisation fees payable and the convertible shortfalls in respect of equity conversions which have occurred after 30th June 1995 but before the date of approval of these accounts is credited to share conversion reserve.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all material timing differences to the extent that it is probable that liabilities will arise in the foreseeable future.

Turnover

Turnover represents the sales of trading properties and rental and service charge income excluding value added tax. Sales of properties are reflected in the accounts if an unconditional contract is exchanged by the balance sheet date and the sale is completed before the date of approval of the accounts.

Foreign exchange translation

Trading results and assets and liabilities of overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Unrealised exchange differences arising on retranslation of opening net assets are taken directly to reserves. Where investments in overseas subsidiaries are financed by loans in matching currencies both are translated at rates of exchange ruling at the balance sheet date and the net exchange difference is taken directly to reserves.

NOTES TO THE ACCOUNTS

1. Segmental information

The Directors consider that the Group's activities represent one class of business only and that there is no difference between the geographical market supplied and the market of origin. An analysis by geographical segment is as follows:

	Turnover		(Loss)/profit before taxation		Net assets/(liabilities)	
	1995	1994	1995	1994	1995	1994
	£000	£000	£000	£000	£000	£000
United Kingdom	5,393	10,332	(1,574)	5,531	(1,193)	2,333
United States	903	931	(201)	(97)	458	860
	6,296	11,263	(1,775)	5,434	(735)	3,193

The loss for the year dealt with in the accounts of the Company is £444,000 (1994: £7,636,000 loss, as restated).

2. Turnover and profit

	Non ring fenced	Ring fenced	Total	Total
	1995	1995	1995	1994
	£000	£000	£000	£000
Gross rentals	1,184	3,738	4,922	5,532
Property outgoings	(137)	(921)	(1,058)	(964)
Net rental income	1,047	2,817	3,864	4,568
Trading turnover	5	1,360	1,365	5,710
Cost of sales	(11)	(1,402)	(1,413)	(5,424)
Provisions (created)/released	512	(550)	(38)	268
Trading profit/(loss)	506	(592)	(86)	554
Other income	9	—	9	21
Gross profit	1,562	2,225	3,787	5,143
Net operating expenses	(1,075)	(329)	(1,404)	(2,221)
Operating profit	487	1,896	2,383	2,922
Sale of investments:				
Sale proceeds	2,011	3,485	5,496	7,398
Cost of sales	(1,977)	(3,722)	(5,699)	(6,772)
Profit/(loss) on sale of investments	34	(237)	(203)	626

NOTES TO THE ACCOUNTS

3. Exceptional item – financial reconstruction	1995	1994
	£000	£000
The exceptional item comprises:		
Deconsolidation of insolvent subsidiaries	–	9,796
Crystallised shortfalls on limited recourse loans	303	581
Professional fees	–	(1,640)
Fees payable under Master Banking Agreement	(26)	(1,275)
Settlement with non-banking creditors	–	(969)
Redundancy and closure costs	–	(335)
	277	6,158

The net profit and loss effect of the reconstruction is disclosed as an exceptional item because of its fundamental nature. There is no associated taxation effect.

4. Net interest payable and similar charges	1995	1994
	£000	£000
Interest payable on bank loans, overdrafts and other loans:		
repayable within five years, not by instalments	(2,796)	(3,936)
repayable within five years, by instalments	(57)	–
repayable wholly or partly in more than five years	(804)	(617)
Hire purchase charges	–	(8)
Interest receivable	215	240
	(3,442)	(4,321)

5. (Loss)/profit on ordinary activities before taxation	1995	1994
	£000	£000
(Loss)/profit on ordinary activities before taxation has been stated after charging the following:		
Depreciation	112	153
Auditors' remuneration – fees for audit work: Group 1995	67	–
– fees for audit work: Group 1994	27	42
– fees for other work: Coopers & Lybrand	20	41
– fees for other work: KPMG	–	44
Operating leases	47	34

Of the total fees for audit work £92,000 was borne by the holding company (1994: £37,000).

NOTES TO THE ACCOUNTS

6. Directors' remuneration

	Salary & fees £000	Benefits £000	Total 1995 £000	Total 1994 £000
Executive				
D J Sebire	51	—	51	25
W Higgins	122	—	122	60
P M Ridal	69	—	69	—
F R Gulmohamed	62	2	64	242
N Turner	—	—	—	68
Non-Executive				
M Higgins	15	—	15	8
N J C Turnbull	15	—	15	18
C Spence	—	—	—	12
A Fosler	—	—	—	5
	334	2	336	438

Included in the above are amounts of £235,410 (1994: £150,000) paid by the Company to companies beneficially owned by certain Directors in respect of their services.

The emoluments of the Chairman were £50,752 (1994: 1st July-31st December 1993: £12,500, 1st January-30th June 1994: £25,000). The emoluments of the highest paid Director were £121,800 (1994: £242,715 which included an amount of £103,190 in respect of compensation for loss of office).

The number of Directors (including the Chairman and highest paid Director), who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995 No.	1994 No.
£5,000 or less	—	1
£5,001-£10,000	—	1
£10,001-£15,000	—	1
£15,001-£20,000	2	1
£20,001-£25,000	—	1
£50,001-£55,000	1	—
£60,001-£65,000	1	1
£65,001-£70,000	1	1
£120,001-£125,000	1	—
£240,001-£245,000	—	1

The share option agreements with certain Directors of the Company are explained in the Directors' Report on page 10. No options under these agreements have been exercised in the year, and no new options have been granted.

The market price of the ordinary shares at 30th June 1995 was 0.75p each. The range of market prices during the year was 0.5p to 1p.

NOTES TO THE ACCOUNTS

7. Staff numbers and costs	1995 No.	1994 No.
The weekly average number of personnel employed full time by the Group was:		
Full time executive directors	2	3
Administration and managerial staff	9	9
On site property managers	2	2
	13	14

The number of personnel employed by the Group, including full time directors, at 30th June 1995 was nine (30th June 1994: thirteen).

The aggregate cost of these persons were as follows:	1995 £000	1994 £000
Consultancy fees	122	96
Wages and salaries	328	415
Redundancy	32	136
Social security costs	37	49
Other pensions costs	-	8
	519	704

8. Taxation	1995 £000	1994 £000
UK corporation taxation (charge)/recovered at 33% (1994: 33%)	(2)	85
US property taxation	(39)	(39)
	(41)	46

9. Assets and loss per share

The loss per share has been calculated on (1) a total loss after tax of £1,816,000 (1994: £5,480,000 profit) and (2) a non ring fenced loss after tax of £134,000, and the weighted average number of ordinary shares in issue during the year, which was 1,323,893,163 (1994: 699,262,513). The Directors believe that the second basis of calculation provides a realistic view of the loss attributable to the ordinary shares.

The assets per share values are prepared using (1) the shareholders' funds shown in the total Group balance sheet, and (2) on the basis that the uncrystallised shortfalls are not deducted from the shareholders' funds. The Directors believe that the second basis of calculation provides a realistic view of the net asset value attributable to the ordinary shares.

NOTES TO THE ACCOUNTS

10. Tangible assets

Group:	Freehold land and buildings £000	Long leasehold land and buildings £000	Total investment properties £000	Vehicles, fixtures, fittings and equipment £000	Total £000
At cost or valuation:					
At 1st July 1994	28,202	8,480	36,682	729	37,411
Additions	108	99	207	36	243
Movement on exchange	(265)	—	(265)	(15)	(280)
Disposals	(4,961)	—	(4,961)	(41)	(5,002)
Reclassification	(900)	900	—	—	—
Net deficit on revaluation	(342)	(2,724)	(3,006)	—	(3,066)
At 30th June 1995	21,842	6,755	28,597	709	29,306
Depreciation:					
At 1st July 1994	—	—	—	466	466
Movement on exchange	—	—	—	(7)	(7)
Charge for the year	—	—	—	112	112
Disposals	—	—	—	(41)	(41)
At 30th June 1995	—	—	—	530	530
Net book values:					
At 30th June 1995	21,842	6,755	28,597	179	28,776
At 30th June 1994	28,202	8,480	36,682	263	36,945

The movements on ring fenced and non ring fenced tangible assets are as follows:

	Non ring fenced £000	Ring fenced £000	Total £000
Net book value at 1st July 1994	10,833	26,112	36,945
Additions	71	172	243
Movement on exchange	—	(273)	(273)
Net book value of disposals	(1,900)	(3,061)	(4,961)
Depreciation	(61)	(51)	(112)
Transfers	1,300	(1,300)	—
Net surplus/(deficit) on revaluation	426	(3,492)	(3,066)
Net book value at 30th June 1995	10,669	18,107	28,776

Non ring fenced investment properties were valued on an open market basis at 30th June 1995 by DTZ Debenham Thorpe, Chartered Surveyors. Ring fenced investment properties are included at Directors' valuation.

NOTES TO THE ACCOUNTS

10. Tangible assets (continued)

	Freehold land and buildings £000	Long leasehold land and buildings £000	Total investment properties £000	Vehicles, fixtures, fittings and equipment £000	Total £000
Company:					
At cost or valuation:					
At 1st July 1994	400	480	880	453	1,333
Additions	—	—	—	35	35
Disposals	—	—	—	(41)	(41)
Revaluation surplus	300	—	300	—	300
At 30th June 1995	700	480	1,180	447	1,627
Depreciation:					
At 1st July 1994	—	—	—	332	332
Charge for the year	—	—	—	60	60
Disposals	—	—	—	(41)	(41)
At 30th June 1995	—	—	—	351	351
Net book values					
At 30th June 1995	700	480	1,180	96	1,276
At 30th June 1994	400	480	880	121	1,001

Of the investment properties, £700,000 (1994: £400,000) are non ring fenced and £480,000 (1994: £480,000) are ring fenced. All other fixed assets are non ring fenced. Investment properties are included on the same valuation basis as for the Group.

The historical cost of investment properties is as follows:

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Freehold land and buildings	23,829	29,017	379	379
Long leasehold land and buildings	8,295	8,917	560	560
	32,124	37,934	939	939

11. Fixed asset investments

	Associated undertakings £000	Investments in USA limited partnerships £000	Other investments £000	Total £000
Group:				
At cost or valuation:				
At 1st July 1994	—	2,444	442	2,886
Movement on exchange	—	(124)	—	(124)
Additions	938	—	—	938
Disposals	—	(582)	(5)	(587)
Revaluation movement	240	97	11	348
At 30th June 1995	1,178	1,835	448	3,461

Of the above investments, all associated undertakings are non ring fenced and all investments in USA limited partnerships are ring fenced (1994: £2,444,000). Of the other investments, £11,000 are non ring fenced (1994: £5,000) and £437,000 are ring fenced (1994: £437,000).

NOTES TO THE ACCOUNTS

11. Fixed asset investments (continued)

The Group has an interest in the following associated undertakings:

Name	Country of incorporation/ registration and principal country of operation	Nature of property business	% of ordinary £1 equity shares held	Accounting year end
Puravale Limited	England	Investment	50%	30th June
Findrack Properties Limited	England	Investment	49%	31st December

The interest in Puravale Limited is held directly by Orb Estates PLC, whereas the interest in Findrack Properties Limited is held by a wholly-owned subsidiary. The amounts included in the consolidated accounts have been taken from management accounts drawn up to 30th June 1995 for both companies.

The aggregated balance sheets of the associated undertakings is as follows:

	1995
	£000
Investment properties	10,500
Net current liabilities	(1,906)
Creditors: amount falling due after more than one year	(6,375)
Net assets	2,219
Group's share of net assets	1,178

The investments in overseas limited partnerships are as follows:

Name	Address of properties	Country of operation	Nature of property	Nature of interest
Route 301/CPI Associates	Brandywine Residential Development Land Prince George's County, Maryland	USA	Development	20% equity
Route 301/CPI Industrial	Brandywine Industrial Development Land Prince George's County, Maryland	USA	Development	9% equity

The historical cost of the investment in overseas partnerships is £1,605,000 (1994: £2,928,000). In the opinion of the Directors, the market value is not less than book value.

Company:	Associated undertaking £000	Investments £000	Shares in subsidiary undertakings £000	Amounts due from subsidiary undertakings £000	Provision against investment £000	Total £000
At 1st July 1994:						
As previously stated	—	437	5,743	52,446	(24,472)	34,154
Restatement (note 27)	—	—	—	22,133	3,005	25,138
As restated	—	437	5,743	74,579	(21,467)	59,292
Movement on exchange	—	—	(65)	(213)	—	(278)
Acquisitions	100	—	—	—	—	100
Other movements	—	—	—	(2,805)	191	(2,614)
At 30th June 1995	100	437	5,678	71,561	(21,276)	56,500

NOTES TO THE ACCOUNTS

II. Fixed asset investments (continued)

The following companies are the principal wholly owned subsidiary undertakings and are included in the consolidated results for the year ended 30th June 1995 and the consolidated financial position as at 30th June 1995. All interests are by way of ordinary shares.

Subsidiary undertaking:	Area of operation	Country of incorporation or registration	Nature of business
Nairn Property Development Ltd*	UK	†	Trading
Pensbury Holdings Ltd*	UK	†	Holding Company
Pensbury Developments Ltd	UK	†	Trading
Pensbury Investments Ltd	UK	†	Investment
Ossory Road Property Investments Ltd*	UK	†	Investment
Ossory Road Estates Ltd	UK	†	Trading
Orb Property Management Ltd	UK	†	Management
Eyton Investments Ltd	UK	†	Investment
Aranmore Developments Ltd*	UK	†	Trading
Blade Construction Ltd	UK	†	Investment
Cedarhall Ltd*	UK	†	Investment
Ellard Construction Ltd*	UK	†	Investment
Orb Finance Ltd*	UK	†	Investment
Orb Retail Ltd*	UK	†	Investment
Orb Developments Ltd* (formerly Ossory (London) Ltd)	UK	Channel Islands	Trading
Ossory Property Investment Ltd*	UK	†	Investment
Royton Industries Ltd*	UK	†	Investment
Statewear Ltd	UK	†	Investment
Targetfollow (Retail One) Ltd*	UK	Scotland	Investment
Targetfollow (Sheffield) Ltd*	UK	†	Investment
Targetfollow Ltd*	UK	†	Investment
Ultramost Ltd*	UK	†	Investment
Shandwick Square Developments Ltd*	UK	†	Development
Nairn Brandywine Inc.	USA	USA	Investment
Nairn Great Valley Inc.	USA	USA	Investment
Nairn South East Partners Inc.	USA	USA	Investment
Nairn Town East Inc.	USA	USA	Investment
Nairn US Holdings Inc.*	USA	USA	Investment
Ossory Cayman Islands Ltd*+	Cayman Islands	Cayman Islands	Finance

The following wholly owned subsidiary undertakings are not consolidated in the Group accounts. The Company's and the Group's investment in these subsidiary undertakings has been fully written off.

Held by the Company:

Blade Construction (Holdings) Limited	UK	†	In liquidation
Ossory Road (Skelmersdale) Limited	UK	†	In administrative receivership
Ossory Canada Inc.	Canada	Canada	Subject to long term restriction

*The interests in these companies are held by Orb Estates PLC. The interests in other companies are owned by subsidiary undertakings, except for Targetfollow (Retail One) Limited which is owned 50% (A shares) by Orb Retail Limited and 50% (B shares) by Orb Estates PLC.

+Ordinary shares only held. †Incorporated and registered in England and Wales.

NOTES TO THE ACCOUNTS

12. Trading properties	Non ring fenced	Ring fenced	Total 1995	Total 1994
Group:	£000	£000	£000	£000
Development properties	3,716	—	3,716	2,800
Properties held for resale	200	5,385	5,585	7,515
	3,916	5,385	9,301	10,315

All properties held for resale are included at net realisable value, which is less than cost. Development properties of £3,656,000 (1994: £2,800,000) have also been included at net realisable value, which is less than cost. Net realisable value for development properties has been determined by an open market valuation as at 30th June 1995, carried out by DTZ Debenham Thorpe, Chartered Surveyors.

13. Debtors	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Trade debtors	419	1,507	—	—
Other debtors	79	98	69	68
Prepayments and accrued income	53	24	46	20
	551	1,629	115	88

No debtors are receivable after more than one year.

14. Creditors: amounts falling due within one year	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Limited recourse loans				
Amounts equal to security values	22,121	31,508	2,874	8,044
Amounts in excess of security values	9,867	5,066	2,700	2,028
	31,988	36,574	5,574	10,072

The limited recourse loans described in this note are all subject to the provisions of the Master Banking Agreement ("MBA"). They are also described as ring fenced liabilities elsewhere in these financial statements. There are other loans shown in the ring fenced balance sheet as due after more than one year which are not governed by the MBA and these are described in note 15. Limited recourse loans include £19,532,000 (1994: £19,665,000) relating to bank borrowings in Pils (Ossory) Limited, as explained in note 28.

In the Group and the Company balance sheets, the amounts due under limited recourse loans have been split to show separately the amount which is represented by the balance sheet value of the security held by the banks and the amount which represents the uncrystallised shortfall. Limited recourse loans are secured on investment properties and other investments.

All limited recourse loans are denominated in sterling except for £2,652,000 (1994: £2,402,000) which is denominated in US dollars. Interest payable on limited recourse loans is linked to 3 month LIBOR.

NOTES TO THE ACCOUNTS

14. Creditors: amounts falling due within one year (continued)

Other creditors	Group		Company	
	1995	1994	1995	1994 As restated
	£000	£000	£000	£000
Bank loans and overdrafts	137	—	—	—
Trade creditors	196	307	64	223
Amounts owed to subsidiary undertakings	—	—	49,493	46,596
Net obligations under hire purchase contracts	—	8	—	8
Overseas tax	46	39	—	—
Corporation tax	4	12	—	—
Other taxation and social security	467	340	37	46
Other creditors	118	115	54	52
Accruals and deferred income	1,959	2,165	646	732
	2,927	2,986	50,294	47,657

Bank loans and overdrafts of the Group at 30th June 1995 were secured on investment properties and other investments.

15. Creditors: amounts falling due after more than one year

	Group		Company	
	Non ring fenced	Ring fenced	Total	Total
	£000	£000	1995 £000	1994 £000
Mortgage loans repayable:				
between one and two years	261	—	261	—
between two and five years	4,245	—	4,245	3,565
after five years	1,845	4,957	6,802	8,684
5% convertible loan note 2010	650	—	650	—
	7,001	4,957	11,958	12,249
			650	—

Mortgage loans are secured on certain Group investment properties. All mortgage loans are denominated in sterling except for £4,957,000 (1994: £5,223,000) which are denominated in US dollars. Interest payable on £5,442,000 (1994: £5,956,000) of the sterling loans is fixed at rates varying from 8.78% to 11.49% (1994: 8.78% to 11.49%) for periods of between 2 to 4 years (1994: 3 to 5 years). Interest payable on the remainder of the sterling loans is linked to 3 month LIBOR. The interest payable on the US dollar loans are fixed at the rate of 8% p.a. from 1st January 1995 to 31st December 1998 and 9% p.a. from 1st January 1999 to 31st December 2000.

The convertible loan note was issued during the year to part finance the acquisition of the investment in Findrack Properties Limited. It is redeemable at par on 24th March 2010, or earlier subject to certain events occurring. The debt may be converted into 65,000,000 Orb Estates PLC ordinary 1p shares, at any time until March 1999, at the option of the note holder.

The ring fenced mortgage loans are not governed by the provisions of the Master Banking Agreement. They are the US dollar long term mortgage loans of a wholly owned US subsidiary, Naim Great Valley Inc. ("NGV"), which have recourse only to the assets upon which they are secured. The principal assets pledged as security are two US investment properties owned by NGV which are categorised as ring fenced in note 10.

16. Share capital

	1995 Number	1995 £000	1994 Number	1994 £000
Authorised:				
Ordinary shares of 1p each	1,900,000,000	19,000	1,900,000,000	19,000
Allotted, called up and fully paid:				
Ordinary shares of 1p each	1,325,285,745	13,253	1,311,205,660	13,112
Issued:			No.	£000
At 1st July 1994			1,311,205,660	13,112
Crystallised loan shortfalls			14,080,085	141
At 30th June 1995		1,325,285,745		13,253

NOTES TO THE ACCOUNTS

16. Share capital (continued)

As part of the financial restructuring of the Group in December 1993, an option to acquire 50,000,000 ordinary shares at 1p each was granted to a non-banking creditor of the Company as part consideration for the release of the Company from its obligations under a guarantee to that creditor in respect of certain obligations of Ossory Road (Skelmersdale) Limited. The option is exercisable during certain limited periods in each year until 2nd December 2003.

The Ossory Estates PLC 1984 Executive Share Option Scheme was cancelled on 9th November 1994 and all options issued under that Scheme have lapsed.

The Master Banking Agreement provides for certain banks to receive ordinary shares in respect of crystallised shortfall amounts. During the year 14,080,085 ordinary shares have been issued in respect of shortfalls which have crystallised. Under the terms of the MBA a maximum of a further 5,035,113 ordinary shares may be issued in respect of shortfalls which crystallise in the future.

As part of the refinancing proposals approved by shareholders on 29th December 1993, and as described on page 10 in the Directors' Report to the accounts, options to subscribe for 3% of the issued ordinary shares were granted to Ultra Securities (Holdings) Limited (beneficially owned by Mr D J Sebire) and options to subscribe for 7% of the issued ordinary shares were granted to Mr W Higgins.

17. Reserves

	Group £000	Company £000
Share premium account		
As at 1st July 1994	153	153
Arising on shares issued	8,307	8,307
As at 30th June 1995	8,460	8,460
Share conversion reserve		
As at 1st July 1994	8,777	8,777
Crystallised shortfalls satisfied by shares	(8,448)	(8,448)
Crystallisation fees and shortfalls not taken	(99)	(99)
Crystallisation fees to be satisfied by shares	26	26
As at 30th June 1995	256	256
Revaluation reserve		
As at 1st July 1994	(1,089)	11
Net revaluation (deficit)/surplus	(2,002)	300
Released on disposal	34	—
Temporary deficit reclassified as permanent	29	—
Movement on exchange	(30)	—
As at 30th June 1995	(3,058)	311
Profit and loss account		
As at 1st July 1994		
As previously stated	(17,760)	(22,192)
Restatement for prior year (note 27)	—	3,005
	(17,760)	(19,187)
Loss for the year	(1,816)	(444)
Revaluation reserve released on disposal	(34)	—
Temporary deficit reclassified as permanent	(29)	—
Movement on exchange	(7)	(157)
As at 30th June 1995	(19,646)	(19,788)

NOTES TO THE ACCOUNTS

18. Deferred tax

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
The potential deferred tax is as follows:				
Accrued interest on long term loan stock	(4,988)	(2,867)	(4,988)	(2,867)
Losses carried forward	(4,696)	(4,956)	(1,414)	(1,084)
Short term timing differences	955	(277)	2,059	(56)
Accelerated capital allowances	(17)	(40)	(17)	(40)
Potential capital gains/(losses) on property disposals	353	1,115	-	(24)
Potential losses before indexation allowance on investment revaluations	(1,994)	(1,269)	-	-
Capitalised interest on development properties	139	189	-	-
	(10,248)	(8,105)	(4,360)	(4,071)

No provision has been made for deferred tax in respect of potential capital gains as either no disposal is envisaged in the foreseeable future or any assessable gain arising will be relieved by losses brought forward. No provision has been made for deferred tax in respect of interest capitalised in development properties nor short term timing differences as these will be covered either by brought forward losses or by the crystallisation of potential deferred tax assets at that time. The Group has approximately £13,000,000 (1994: £15,000,000) revenue losses carried forward for off-set against future revenue profits. Capital losses available for carry forward are estimated at £12,000,000 (1994: £9,000,000).

19. Contingent liabilities

The Group and the Company have no guarantee liabilities (1994: £nil Group and Company) in respect of the bank borrowings of associated undertakings. The Company has no guarantee liabilities (1994: £nil) in respect of the bank borrowings of subsidiary companies. There are no guarantee liabilities outstanding in either the Group or the Company in respect of the liabilities of subsidiary undertakings which have not been consolidated. The Company has given a fixed charge over its investment shown in note 11 at a net book value of £437,000 (1994: £437,000) in respect of the borrowings of a subsidiary company.

20. Leasing commitments

The annual commitments under operating leases for both the Group and the Company are as follows:

	1995 £000	1994 £000
Land and buildings: expiring over 5 years	25	25
Other: expiring between 2 and 5 years inclusive	4	4

21. Capital commitments

Capital commitments as at 30th June 1995 were £nil (1994: £nil).

22. Related party transactions

There were no transactions during the year with Directors of the Company.

NOTES TO THE ACCOUNTS

23. Reconciliation of operating profit on ordinary activities to net cash inflow from operating activities

	1995 £000	1994 £000
Operating profit on ordinary activities before interest	2,383	2,922
Depreciation charges	112	153
Profit on sale of fixed assets	(17)	—
Decrease/(increase) in debtors	355	(344)
(Decrease) in creditors less than one year	(66)	(834)
(Decrease) in creditors more than one year	—	(54)
Decrease in development properties held for resale	1,014	5,126
Net cash inflow from operating activities	3,781	6,969

24. Analysis of the balance of cash and cash equivalents as shown on the balance sheet

	1995 £000	Movement £000	1994 £000	Movement £000	1993 £000
Cash at bank	4,049	822	3,227	1,340	1,887
Bank loans and overdrafts	(31,988)	4,586	(36,574)	54,274	(90,848)
At 30th June 1995	(27,939)	5,408	(33,347)	55,614	(88,961)

25. Analysis of changes in cash and cash equivalents

	1995 £000	1994 £000
At 1st July 1994	(33,347)	(88,961)
Inherited cash in acquisitions	—	101
Net debt in deconsolidated subsidiaries	—	31,394
Limited recourse loan shortfalls crystallised	204	3,337
Reclassification to mortgage loans	—	4,918
Net cashflow before adjustments for foreign exchange movements	5,138	15,864
Foreign exchange movements	66	—
At 30th June 1995	(27,939)	(33,347)

26. Analysis of changes in financing

The movements in mortgage loans during the year are as follows:

	1995 £000	1994 £000
At 1st July 1994	12,249	—
Transfer from cash equivalents	—	4,918
Debt inherited in acquisitions	—	6,408
Foreign exchange movements	(266)	(205)
(Decrease)/increase in mortgage loans	(537)	1,128
At 30th June 1995	11,446	12,249

NOTES TO THE ACCOUNTS

27. Prior year adjustments

A prior year adjustment has been made to reflect a change in accounting policy on investments in the parent company, as set out in the accounting policies on page 19. The adjustment gives rise to an increase in the Company profit and loss reserves of £3,005,000 and a corresponding increase in investments in the Company balance sheet (see notes 11 and 17). The loss for the year to 30th June 1994 in the accounts of the Company has been decreased by £3,005,000 to £7,636,000.

A second prior year adjustment has also been made to reflect a change in the interpretation of the Pils financing intergroup transactions in prior years. This has no effect on the consolidated accounts, and no effect on the net asset position of the Company. The effect on the Company balance sheet is to increase investments by £22,133,000 and increase creditors by £22,133,000 (see notes 11 and 14). Neither prior year adjustment impacts shareholders' funds.

28. The Pils financing

During 1989 the Company and various other parties, entered into an off balance sheet financing structure known as the Pils financing.

In summary, a Cayman Island corporation, not owned or controlled by the Group, known as Pils (Ossory) Limited ("Pils"), borrowed £30m from a syndicate of banks. Pils' bank borrowings were secured on property assets acquired by Ossory Property Investments Limited ("OPIL"), a wholly owned subsidiary of the Company, and were guaranteed by various other members of the Group. The funds borrowed by Pils were used to subscribe for £30m of preference shares in Ossory Cayman Islands Limited ("OCIL"), a Cayman Islands corporation in which the Company owns all of the issued ordinary shares. In turn, OCIL subscribed £30m for a listed Eurobond issued by the Company. The Company lent the proceeds from the Eurobond to OPIL to part finance the acquisition of the properties which were used as security for the Pils bank borrowings.

Interest and dividends have accrued on the preference shares, the Eurobond and the loan between the Company and OPIL such that, as at 30th June 1995, the cumulative amounts due under each of those instruments amounts to £44,963,000 (1994: £41,798,000).

During 1993, due to the financial difficulties of the Group, Pils defaulted on the terms of the bank borrowings agreement and, as part of the re-structuring of the Group in December 1993, the Pils structure was amended. The key terms of the amendment to the Pils financing were to limit the recourse of the Pils banking syndicate, as described in the MBA, and to release guarantees given by other members of the Group in respect of the Pils bank borrowings.

Since the re-financing in 1993, under its obligations to the syndicate of banks, OPIL has made various payments on behalf of Pils to repay the amounts due to the banking syndicate. Those amounts total £25,414,000 as at 30th June 1995 (1994: £22,133,000).

The Company balance sheet reflects an amount of £44,963,000 (1994: £41,798,000) in creditors for the amounts due on the Eurobond and the same amount in fixed asset investments for the amount due from OPIL under the intercompany loan.

The Group balance sheet shows Pils as though it had been consolidated as a subsidiary undertaking. This has the effect of netting off both the amount due by OCIL to Pils in respect of the preference shares with the amount due to OPIL by Pils, as described above. The resulting net liability of £19,549,000 (1994: £19,665,000) represents the bank borrowings of Pils which have been shown as limited recourse loans in creditors. It also has the effect of substituting the interest payable on the Pils bank borrowings for the dividends payable under the preference shares and the interest receivable on the Pils/OPIL loan.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Orb Estates PLC will be held at 11.30 am on 12th December, 1995 at College Hill Associates Ltd, 4th Floor, 29 Gresham Street, London, EC2V 7AH.

The ordinary business of the meeting will be as follows:

1. To receive the audited accounts for the year ended 30th June, 1995 and the Reports of the Directors and Auditors thereon.
2. To appoint Touche Ross & Co. in place of Coopers & Lybrand as Auditors of the Company from the conclusion of this meeting until the conclusion of the next annual general meeting at which accounts shall be laid before the shareholders in accordance with the provisions of the Companies Act 1985.
3. To re-elect Mr. M. Higgins as a Director.
4. To authorise the Directors to fix the Auditors' remuneration.

As special business, to consider and, if thought fit, to pass the following resolutions of which Resolution 5 will be proposed as an Ordinary Resolution and Resolution 6 will be proposed as a Special Resolution.

ORDINARY RESOLUTION

5. THAT the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,000,000 or, if the special resolution to be proposed at the Extraordinary General Meeting to be held immediately after this Meeting is passed and the reduction of capital of the Company thereby resolved upon is approved by the Court, £500,000 PROVIDED THAT the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless renewed, varied or revoked by the Company in General Meeting, save that the Company may at any time before such expiry make an offer or agreement, which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

SPECIAL RESOLUTION

6. THAT, subject to the passing of the previous resolution, the Board be and it is hereby empowered, pursuant to Section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the Act did not apply to any such allotment PROVIDED THAT this power shall be limited:
 - (i) to the allotment of equity securities in connection with a rights issue or a scrip dividend alternative in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and

NOTICE OF ANNUAL GENERAL MEETING

- (ii) to the allotment (other than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £662,642 or, if the special resolution to be proposed at the Extraordinary General Meeting to be held immediately after this Meeting is passed and the reduction of capital of the Company thereby resolved upon is approved by the Court, £165,660,

and shall expire upon the renewal of this power or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date hereof (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

P M Ridal

Secretary

16th November 1995

Registered Office

24 Brook's Mews

London W1Y 1LF

Notes:

- (a) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his place. A proxy need not also be a member. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the Meeting should he decide to do so.
- (b) To be valid at the Meeting the enclosed Form of Proxy and the power of attorney or other authority (if any) under which it is signed (or office copy or copy certified notari ally, or in some other manner approved by the Board, of such power or authority) must be completed and returned so as to reach the Company's Registrars Lloyds Bank Plc, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 6DA not later than 48 hours before the meeting.
- (c) There will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this Notice until the date of the meeting and at the place of the meeting for fifteen minutes before the meeting and until the conclusion of the meeting:
 - (i) the register of Directors' interests;
 - (ii) copies of all services contracts between the Company or its subsidiaries and the Directors of the Company;
 - (iii) the existing Articles of Association of the Company.