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LONDON PROPERTY CONSTRUCTION LIMITED

FINANCIAL ACCOUNTS FOR THE
ENDED 31ST DECEMBER 1998

MICHAEL KING & CO.
Chartered Accountants
& Registered Auditors



LONDON PROPERTY CONSTRUCTION LIMITED

DIRECTORS: Mr. D. Tahernia
Dr. M.I. Tahernia

SECRETARY: Bancroft Registrars Limited

REGISTERED OFFICE: Lower Ground Floor
12 Seymour Strret
London W1H 5WB

REGISTERED NUMBER: 01029101

BANKERS: Allied Irish Bank
103 Kilburn High Road
London NW6 6JQ

AUDITORS: Michael King & CO.
Chartered Accountants
Lower Ground Floor
12 Seymour street
London
W1H 5WB

LONDON PROPERTY CONSTRUCTION LIMITED

FINANCIAL ACCOUNTS
FOR THE ENDED 31ST DECEMBER 1998

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The following page does not form part of the Statutory Accounts

Appendix

1. Trading and Profit and Loss Account

LONDON PROPERTY CONSTRUCTION LIMITED
REPORT OF THE DIRECTORS

FOR THE ENDED 31ST DECEMBER 1998

The directors present their annual report with the accounts of the company for the ended 31st December 1998.

PRINCIPAL ACTIVITY

The principal activity of the Company is to deal in property. Such activities include purchases, disposals, conversions and lettings.

DIRECTORS

The directors in office in the year and their beneficial interests in the company's issued ordinary share capital were as follows:

	Ordinary Shares of £1 each	
	<u>1998</u>	<u>1997</u>
Mr. D. Tahernia	99	99
Dr. M.I. Tahernia	1	1

FIXED ASSETS

The movements in the fixed assets are recorded in the notes to the accounts.

STATUS

The Company is a Close Company under the provisions of the Taxes Acts.

AUDITORS

Messrs. Michael King & Co. have indicated their willingness to continue in office in accordance with Section 385 of the Companies Act. A resolution concerning the reappointment and remuneration of Messrs. Michael King & Co. as auditors of the company is to be proposed at the Annual General Meeting.



Mr. D. Tahernia

LONDON PROPERTY CONSTRUCTION LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial accounts 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 the applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial accounts;
- prepare the financial accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr. D. Tahernia
Director
On behalf of the Board

21.10.29

Date

MICHAEL KING & CO.

Chartered Accountants and Registered Auditors

Lower Ground Floor
12a Seymour Street
London W1H 5WB
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3.

REPORT OF THE AUDITORS

TO THE MEMBERS OF LONDON PROPERTY CONSTRUCTION LIMITED FOR THE YEAR ENDED 31ST DECEMBER 1998

We have audited the financial statements on pages 4 to 6 which have been prepared following the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

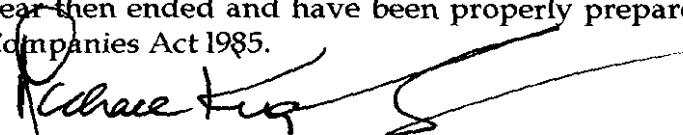
As described on page 1 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


MICHAEL KING & CO.
Registered Auditors.

Date

25.10.1999



Michael Sidney King, FCA

LONDON PROPERTY CONSTRUCTION LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE ENDED 31ST DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
TURNOVER	2	393,193	-
Cost of Sales		364,353	-
<u>GROSS PROFIT</u>		28,840	-
Net Operating Expenses			
Distribution Costs	14	70	
Administrative Expenses	61,336	36,277	
Other Operating Income	(121,318)	(109,072)	
		(59,968)	(72,725)
<u>OPERATING PROFIT</u>	3	88,808	72,725
		88,808	72,725
Income from Investments	4	3,361	47,370
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</u>		92,169	120,095
Interest Payable	6	69,854	46,632
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		22,315	73,463
Tax on Ordinary Activities	5	-	9,802
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		£ 22,315	£ 63,661
<u>STATEMENT OF RETAINED EARNINGS</u>			
Retained Profit Brought Forward		109,015	45,355
Retained Profit for the Year		22,315	63,661
<u>RETAINED PROFIT CARRIED FORWARD</u>		£ 131,330	£ 109,016

None of the company's activities were acquired or discontinued during the above two financial years.

There were no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 6a to 6e form part of these accounts.

LONDON PROPERTY CONSTRUCTION LIMITED**BALANCE SHEET**
AS AT 31ST DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
FIXED ASSETS			
Tangible Assets	7	2,589	2,275
Investments	19	253,200	253,200
		<u>255,789</u>	<u>255,475</u>
CURRENT ASSETS			
Stock and Work in Progress	8	358,931	358,931
Debtors	9	539	7,095
Investments	10	10,613	43,310
Cash at Bank and in Hand		301	108
		<u>370,384</u>	<u>409,444</u>
CREDITORS : Amounts Falling			
Due within One Year	11	(117,121)	(90,889)
		<u>253,263</u>	<u>318,555</u>
NET CURRENT ASSETS			
		<u>509,052</u>	<u>574,030</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS : Amounts Falling			
Due After more than One Year	18	377,622	464,914
		<u>£ 131,430</u>	<u>£ 109,116</u>
CAPITAL AND RESERVES			
Share Capital	13	100	100
Profit and Loss Account	14	131,330	109,016
TOTAL SHAREHOLDERS' FUNDS	12	<u>£ 131,430</u>	<u>£ 109,116</u>

Signed on behalf of the
board of directors

Mr. D. Tahernia
Director

Dr. M. I. Tahernia

21.10.99
Date

The notes on pages 6a to 6e form part of these accounts.

LONDON PROPERTY CONSTRUCTION LIMITED**NOTES TO THE ACCOUNTS**
FOR THE ENDED 31ST DECEMBER 1998**1. ACCOUNTING POLICIES****Basis of Accounting**

The accounts have been prepared under the historical cost convention as modified to incorporate the revaluation of certain fixed assets.

Turnover

Turnover represents the net invoiced sales of properties.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Motor Vehicles	25% on cost
Plant and Equipment	25% on cost

Cash Flow Statement

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it qualifies as a small company under the Companies Act 1985.

2. TURNOVER

The Turnover and Profit (1997 - Profit) before taxation for the year is attributable to the principal activity of the Company which is to deal in property.

In the opinion of the Directors, none of the company's turnover is attributable to geographical markets outside the UK. (1997, None).

3. OPERATING LOSS

The Operating Loss is stated after charging:

	<u>1998</u>	<u>1997</u>
	£	£
Depreciation of Tangible Fixed Assets	891	788
Hire of Plant & Equipment	14	70
Auditors' Remuneration	1,500	1,600
	<u> </u>	<u> </u>

LONDON PROPERTY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS
FOR THE ENDED 31ST DECEMBER 1998**4. INCOME FROM INVESTMENTS**

	<u>1998</u>	<u>1997</u>
	£	£
Interest Received	396	-
Profit from Joint Venture	2,965	47,370
	<u>3,361</u>	<u>47,370</u>

In 1994 London Property Construction Limited entered into a 50% joint venture. The purpose of which was to acquire properties, convert them into smaller units, then either let them out or dispose of them. In the earlier years the joint venture incurred high costs due to the conversions and making properties good for rental purposes. In 1996 there were some disposals that led to a very small profit. In 1997 there was increased activity which resulted in higher profits, but there were no purchases of replacement properties. This year there was little activity and hence a reduced profit.

5. TAXATION

The tax charge on the profit on ordinary activities was as follows:

	<u>1998</u>	<u>1997</u>
	£	£
Corporation Tax	-	9,802

No Corporation tax has been charged on the profit. (1997 21%).

There is no tax liability due to losses in Schedule D case I activities and previous years Schedule D case VI losses have been brought forward and set off against this years Schedule D case VI profits.

6. INTEREST PAYABLE

	<u>1998</u>	<u>1997</u>
	£	£
Other Interest Payable	69,854	46,632
	<u>69,854</u>	<u>46,632</u>

The interest payable relates to bank loans that are used to finance the Company's activities.

LONDON PROPERTY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS
FOR THE ENDED 31ST DECEMBER 1998**7. TANGIBLE FIXED ASSETS**

	Motor Vehicles	Plant & Equipment	TOTAL
	£	£	£
COST			
At 1st January 1998	350	4,283	4,633
Additions in the year	-	1,205	1,205
	<hr/>	<hr/>	<hr/>
At 31st December 1998	350	5,488	5,838
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1st January 1998	175	2,183	2,358
Charge for the year	44	847	891
	<hr/>	<hr/>	<hr/>
At 31st December 1998	219	3,030	3,249
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31st December 1998	131	2,458	2,589
	<hr/>	<hr/>	<hr/>
At 31st December 1997	175	2,100	2,275
	<hr/>	<hr/>	<hr/>

8. STOCKS

	1998	1997
	£	£
Stocks	358,931	358,931
	<hr/>	<hr/>

The value of stock is based on the cost price of the properties plus the cost of capital improvements. The stock of properties is charged to the Allied Irish Bank PLC as collateral supporting the loans and overdraft facilities.

During the year a property was acquired and subsequently disposed of; thus the value of property remains unchanged.

9. DEBTORS

	1998	1997
	£	£
Amounts due within one year:		
Trade Debtors	304	-
Other Debtors	235	7,095
	<hr/>	<hr/>
	539	7,095
	<hr/>	<hr/>

In the previous year the debtor related to a VAT refund claim. The claim was agreed and settled.

LONDON PROPERTY CONSTRUCTION LIMITEDNOTES TO THE ACCOUNTS
FOR THE ENDED 31ST DECEMBER 1998**14. RESERVES**

	<u>Profit & Loss A/c</u> £
At 1st January 1998	109,015
	<hr/>
Retained Profit for the year	109,015 22,315
	<hr/>
At 31st December 1998	131,330
	<hr/> <hr/>

15. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

16. FINANCIAL COMMITMENTS

There were no capital commitments at the balance sheet date.

17. POST BALANCE SHEET EVENTS

In the period following the company's year end and the date the directors approved the financial statements there was a material disposal of the investment property which was sold at a profit.

**18. CREDITORS: Amounts Falling
Due After more than One Year**

	<u>1998</u> £	<u>1997</u> £
Bank Loans and Overdrafts	377,622	464,914
	<hr/>	<hr/>
	377,622	464,914
	<hr/> <hr/>	<hr/> <hr/>

The stock of properties plus the property investment of £175,927 are charged to the Allied Irish Bank PLC.

19. FIXED ASSETS INVESTMENTS

	<u>1998</u> £	<u>1997</u> £
Property held as an Investment	175,927	175,927
Investment in Son Vitamina S.A.	77,273	77,273
	<hr/>	<hr/>
	253,200	253,200
	<hr/> <hr/>	<hr/> <hr/>

The property held as an investment is 159/161 Battersea Rise. This property was disposed of shortly after the year end.

The Company holds a 50% share in Son Vitamina S.A. The company acquired land for development purposes.

LONDON PROPERTY CONSTRUCTION LIMITED**TRADING AND PROFIT AND LOSS ACCOUNT**
FOR THE ENDED 31ST DECEMBER 1998

	<u>1998</u>		<u>1997</u>	
	£	£	£	£
PROPERTY SALES		392,501		-
Sundry Income		692		-
		<u>393,193</u>		<u>-</u>
COST OF SALES				
Opening Stock	358,931		220,500	
Purchases of property	364,353		127,017	
Materials	3,330		3,911	
Subcontractors	826		7,504	
Closing Stock	(358,931)		(358,931)	
Hire of Plant & Equipment	14		70	
		<u>368,523</u>		<u>(71)</u>
GROSS PROFIT/(LOSS)		24,670		(71)
Rents Received		121,318		109,072
Interest Received		396		-
Profit from Joint Venture		2,965		47,370
		<u>149,349</u>		<u>156,371</u>
LESS OVERHEADS				
Secretarial services	235		255	
Motor Running Expenses	2,328		1,080	
Repairs and Renewals	14,837		5,107	
Telephone Charges	1,008		881	
Printing and Stationery	183		332	
Advertising	118		-	
Planning Permission	264		96	
Heating and Lighting	1,550		2,302	
Office expenses	300		1,104	
Insurances	4,649		2,147	
Rent and Rates	1,840		891	
Subscriptions	283		357	
Management charges	2,498		2,267	
Bank charges	5,535		3,932	
Compliance charges	-		1,086	
Legal and Professional Fees	16,260		5,013	
Penalties	-		950	
Sundry Expenses	265		459	
Auditors' Remuneration	1,500		1,600	
Auditors' Remuneration - Non-Audit Work	2,636		5,630	
Bank Interest	69,854		46,632	
Depreciation Motor Vehicles	44		88	
Depreciation Plant & Equipment	847		700	
		<u>127,034</u>		<u>82,909</u>
NET PROFIT FOR THE YEAR		<u>£ 22,315</u>		<u>£ 73,462</u>

This page does not form part of the statutory accounts.