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BURKLE HOLDINGS LIMITED

CONSOLIDATED ACCOUNTS

31 DECEMBER 1996

I N D E X

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John Lewis & Co.
Chartered Accountants
Edgware, Middx.
HA8 5EG

Company Number 1475271



BURKLE HOLDINGS LIMITED

DIRECTORS

Mr. Ian Watson F.C.A.

Mr. Stuart John Watson B.Sc.(Econ), A.C.A.

SECRETARY

Mr. D.J. Burkle

REGISTERED OFFICE

14 John Street
London
WC1N 2EB

AUDITORS

John Lewis & Co.
Chartered Accountants
Edgware
Middlesex
HA8 5EG

SOLICITORS

Wedlake Saint
14 John Street
London
WC1N 2EB

PRINCIPAL BANKERS

Lloyds Bank P.L.C.
142 High Street
Stevenage
Herts. SG1 3HN

BURKLE HOLDINGS LIMITED

DIRECTORS REPORT

31 DECEMBER 1996

The Directors present their report together with the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is a holding and investment company.

A summary of the results for the year is given on page 4 of the Accounts.

The Directors consider the state of the company's affairs to be satisfactory.

FIXED ASSETS

The changes in the Fixed Assets are recorded in Note 6 to the Accounts.

DIVIDENDS

The Preference Dividends have been paid for the year ended 31 December 1996. It is proposed to pay an Ordinary dividend for that year of 50% on 1 April 1997.

DIRECTORS AND THEIR INTERESTS

The Directors at the Balance Sheet date and their interests, including family interest, in the company at that date and at the beginning of the year were as follows:-

	<u>Class of Share</u>	<u>Number of Shares</u>	
		<u>1996</u>	<u>1995</u>
Mr. Ian Watson (Chairman and Managing Director)	Ordinary	10,225	15,225
	Preference	-	3,000
Mr Stuart J Watson	Ordinary	2,700	200
	Preference	1,500	-

BURKLE HOLDINGS LIMITED
DIRECTORS REPORT (continued)
31 DECEMBER 1996
SUBSTANTIAL SHAREHOLDINGS

The company has been notified that the following hold more than 5% of the share capital at 31 December 1996:-

	<u>Ordinary</u>	<u>Preference</u>
Mr. S.B. Burkle	6,650	20,128
Mr. D.J. Burkle	5,964	17,762
Mr. R.M. Burkle	14,937	17,325
Mrs. J.H. Burkle	875	30,945
Mrs. J.H. Burkle as Trustee	7,894	6,700
Sotogrande Securities Limited	88,182	348

Mr. Ian Watson is a director of, and controlling shareholder in, Sotogrande Securities Limited.

DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required

- to select suitable accounting policies and apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

CLOSE COMPANY

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

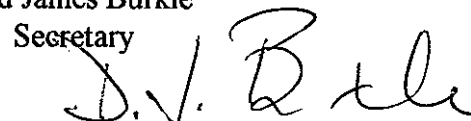
AUDITORS

The Auditors, Messrs. John Lewis & Co., Chartered Accountants, are willing to be re-appointed in accordance with Section 385 of the Companies Act 1985.

By order of the Board

Dated: 24 July 1997

David James Burkle
Secretary



BURKLE HOLDINGS LIMITED**CONSOLIDATED BALANCE SHEET****31 DECEMBER 1996****FIXED ASSETS**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
Investments: Property	1,6	587,105	637,105

CURRENT ASSETS

Cash at Bank		843,727	798,114
Investments	7	118,586	79,962
Debtors	8	17,600	30,613
		-----	-----
		979,913	908,689

CREDITORS

Amounts falling due within one year	9	391,400	295,047
		-----	-----

NET CURRENT ASSETS

588,513 613,642

TOTAL ASSETS**LESS CURRENT LIABILITIES**

£1,175,618 £1,250,747

CAPITAL AND RESERVES

Called Up Share Capital	11	290,344	314,064
Capital Reserve	15	188,103	187,541
Revaluation Reserve	12	338,787	388,016
Leasehold Redemption Fund Reserve	13	200,000	150,000
Profit and Loss Account	16	158,384	211,126
		-----	-----
		£1,175,618	£1,250,747
		=====	=====

The Notes on Pages 5 to 13 form part of these Financial Statements.

The financial statements were approved by the board on 24 July 1997 and signed on its behalf by:-



I. Watson, Director



S.J. Watson, Director

BURKLE HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 1996**

	Notes	<u>1996</u>	<u>1995</u>
<u>TURNOVER</u>	1b,2	<u>247,149</u>	<u>185,237</u>
<u>OPERATING PROFIT</u>		125,701	89,892
Loss on sale of Investments	-	13,179	
Transfer to Capital Reserve	-	<u>(13,179)</u>	<u>-</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		125,701	89,892
Tax on profit on ordinary activities	4	40,590	35,850
<u>PROFIT FOR THE FINANCIAL YEAR</u>		<u>85,111</u>	<u>54,042</u>
Transfer to Leasehold Redemption Fund Reserve	13	50,000	50,000
		<u>35,111</u>	<u>4,042</u>
<u>DIVIDENDS</u>	5	<u>87,853</u>	<u>8,968</u>
<u>LOSS FOR THE YEAR</u>	16	<u>52,742</u>	<u>4,926</u>

The group has no recognised gains or losses other than those dealt with in the Profit and Loss Account.

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

The Notes on pages 5 to 13 form part of these Financial Statements.

BURKLE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1996

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of the investment properties.

b) Turnover

This comprises:-

- (i) Rents only and excludes service charges which are credited against the relevant expenditure.
- (ii) Investment income

c) Tangible Fixed Assets

The investment properties are included at their open market value in accordance with SSAP 19 (Accounting for Investment Properties)

See also Notes (d) and (e) below and Note 6.

d) Deferred Taxation

No provision is made for tax on capital gains which would arise if the properties were to be realised at the amounts stated in the Accounts.

e) Depreciation

No provision is made for depreciation of the properties (other than the short leasehold) as they are regularly maintained and thus in the opinion of the Directors no provision for depreciation is required.

The Directors consider that this accounting policy results in the accounts showing a true and fair view.

The short leasehold is depreciated evenly over the life of the lease.

f) Consolidation

The consolidated accounts include all the subsidiaries, except one which is not wholly owned and the results of which are considered insignificant.

BURKLE HOLDINGS LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 1996**

	<u>1996</u>	<u>1995</u>
2. <u>TURNOVER</u>		
Rents	201,523	125,916
Investment Income	45,626	59,321
	-----	-----
	<u>£247,149</u>	<u>£185,237</u>
The turnover arises entirely in the United Kingdom.		
3. <u>OPERATING PROFIT</u>		
is stated after charging :-		
Depreciation on		
Tangible Fixed Assets	771	771
Auditors Remuneration	5,170	5,787
Directors Remuneration	52,000	52,000
Staff Costs	8,000	7,900
Pensions to former Directors	3,200	2,000
Social Security Costs	5,101	6,334
	-----	-----
4. <u>TAXATION</u>		
The taxation charge based on the profit before tax comprises:-		
U.K. Corporation Tax at current rates	37,114	28,450
Tax credit attributable to Franked Investment Income	576	-
Prior Year Adjustment	2,900	7,400
	-----	-----
	<u>£40,590</u>	<u>£35,850</u>
5. <u>DIVIDENDS</u>		
Preference - Paid	7,816	8,968
Ordinary - Proposed	80,037	-
	-----	-----
	<u>£87,853</u>	<u>£8,968</u>

BURKLE HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
31 DECEMBER 1996

6. FIXED ASSET INVESTMENTS-GROUP

6.1 Cost or Valuation

	Cost/ Valuation at 1.1.1996	Amortisation/ Revaluation Adjustments in year (See below)	Cost/ Valuation at 31.12.1996
	£	£	£
Freehold Properties	257,105	-	257,105
Short Leasehold Property	375,000	(50,000)	325,000
Land	5,000	-	5,000
	-----		-----
Net Book Value	637,105		587,105
	=====	(50,000)	=====

6.2 Amortisation/Revaluation adjustments

	At 1.1.1996	Amortisation charge in year	Revaluation adjustment in year	At 31.12.96
Short Leasehold Property	(150,000)	(771)	(49,229)	(200,000)
	=====	=====	=====	=====

6.3 GROUP

- i) No provision has been made for tax on capital gains which would arise if the properties were realised at the above figures.
- ii) The Crown leasehold with a fixed ground rent of £150 p.a. expires on 5 July 2003.

Provision for depreciation and write back of revaluation reserve has been made on the Short Leasehold property on a straight line basis in order to amortise the asset over the unexpired term of the lease.

A further £50,000 has been charged to the Profit & Loss Account in 1996 in respect of the Leasehold Redemption Fund created in 1993, the purpose of which is to provide funds for the ultimate replacement of the property.

BURKLE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

31 DECEMBER 1996

6. FIXED ASSET INVESTMENTS (Continued)

PARENT

Freehold Property	245,000
Land	5,000

Cost/Valuation at 1 January 1996 and 31 December 1996	<u><u>£250,000</u></u>

7. INVESTMENTS - At Cost

GROUP AND PARENT

Quoted Investments

	<u>1996</u>	<u>1995</u>
Brought forward	79,962	495,000
Additions in Year	38,624	79,962
Sales in Year at Cost	-	(495,000)
	-----	-----
Carried forward	<u><u>£118,586</u></u>	<u><u>£79,962</u></u>
Market Value at 31 December 1996	<u><u>£113,600</u></u>	<u><u>£76,950</u></u>

8. DEBTORS

GROUP

Prepayments and accrued income	600	613
Loans	17,000	30,000
	-----	-----
	<u><u>£17,600</u></u>	<u><u>£30,613</u></u>

PARENT

Loans	<u><u>£17,000</u></u>	<u><u>£30,000</u></u>
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BURKLE HOLDINGS LIMITED**NOTES TO THE ACCOUNTS****31 DECEMBER 1996****9. CREDITORS**

Amounts falling due within one year

<u>Group</u>	<u>1996</u>	<u>1995</u>
Trade Creditors	64,332	43,996
Corporation Tax	236,519	240,802
Other Taxes & Social Security Costs	6,604	5,765
Proposed Dividends :		
Preference	3,908	4,484
Ordinary	80,037	-
	<u>£391,400</u>	<u>£295,047</u>
 <u>Parent</u>		
Trade Creditors	15,188	15,088
Corporation Tax	188,915	196,198
Other Taxes & Social Security Costs	5,758	5,765
Proposed Dividends:		
Preference	3,908	4,484
Ordinary	80,037	-
	<u>£293,806</u>	<u>£221,535</u>

10. CREDITORS

Amounts falling due after more than one year

Subsidiary Companies	£660,844	£587,344
	<u>£660,844</u>	<u>£587,344</u>
PARENT		
	£ -	£ -
GROUP	<u>£ -</u>	<u>£ -</u>

BURKLE HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
31 DECEMBER 1996

<u>11. CALLED UP SHARE CAPITAL</u>	<u>1996</u>	<u>1995</u>
Authorised		
165,000 Ordinary Shares of £1 each	165,000	165,000
150,000 6% Preference Shares of £1 each	150,000	150,000
	-----	-----
	<u>£315,000</u>	<u>£315,000</u>
Allotted, issued and fully paid		
Ordinary Shares of £1 each	160,075	164,594
6% Preference Shares of £1 each	130,269	149,470
	-----	-----
	<u>£290,344</u>	<u>£314,064</u>

The following shares were purchased by the company for cancellation in April 1996:-

4,519 Ordinary @ £3 each (as approved by a Special Resolution on 15 April 1996)

19,201 Preference @ 50p each (as approved by a Special Resolution on 15 April 1996)

See also Note 15.

<u>12. REVALUATION RESERVE - GROUP</u>	<u>1996</u>	<u>1995</u>
Balance at 1 January 1996	388,016	437,245
Released during the year	49,229	49,229
	-----	-----
Balance at 31 December 1996	<u>£338,787</u>	<u>£388,016</u>

The above reserve comprises surpluses on investment property revaluations
(See Note 6) less goodwill on acquisitions written off.

<u>REVALUATION RESERVE - PARENT</u>	<u>1996</u>	<u>1995</u>
Balance at 1 January 1996	203,165	-
Revaluation adjustment in year	-	203,165
	-----	-----
Balance at 31 December 1996	<u>£203,165</u>	<u>£203,165</u>

<u>13. LEASEHOLD REDEMPTION FUND RESERVE</u>	<u>1996</u>	<u>1995</u>
Balance at 1 January 1996	150,000	100,000
Transfer from Profit & Loss Account	50,000	50,000
	-----	-----
Balance at 31 December 1996	<u>£200,000</u>	<u>£150,000</u>

BURKLE HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (Continued)
31 DECEMBER 1996

14. DIRECTORS' INTERESTS

Mr. I. Watson FCA, the Managing Director, is the principal of Watson & Co., who act as one of the Group's Accountants and as such receive fees for their services and commissions from group insurances during the year. (Watson & Co. is not involved in any way in the Group Audit)

15. CAPITAL RESERVE - GROUP AND PARENT

	<u>1996</u> £	<u>1995</u> £
Balance at 1 January 1996	187,541	200,720
Losses on Sale of Investments transferred from Profit & Loss Account	-	13,179
Purchase of own Share Capital:-		
Ordinary - Premium	(9,038)	-
Preference - Discount	9,600	-
	-----	-----
Balance at 31 December 1996	<u>188,103</u>	<u>187,541</u>
(See also Note 11)		

16. PROFIT AND LOSS ACCOUNT - GROUP

	<u>1996</u> £	<u>1995</u> £
Retained Profits at 1 January 1996	211,126	216,052
Loss for the year	52,742	4,926
	-----	-----
Retained profits at 31 December 1996	<u>158,384</u>	<u>211,126</u>

PROFIT AND LOSS ACCOUNT - PARENT

	<u>1996</u> £	<u>1995</u> £
Accumulated Loss at 1 January 1996	71,685	57,455
Loss for the year	52,568	14,230
	-----	-----
Accumulated Losses at 31 December 1996	<u>124,253</u>	<u>71,685</u>

BURKLE HOLDINGS LIMITED**NOTES TO THE ACCOUNTS (Continued)****31 DECEMBER 1996****17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS - GROUP**

	<u>1996</u>	<u>1995</u>
	£	£
PROFIT FOR THE FINANCIAL YEAR	35,111	4,042
Dividends	87,853	8,968
	-----	-----
	(52,742)	(4,926)
Other recognised gains and losses relating to the year (net) (See Note 12)	(49,229)	(62,408)
Purchase of own shares in 1996 (See Notes 11 and 15)	(23,158)	-
	(72,387)	-----
	(125,129)	(67,334)
Transfer in year to Leasehold Redemption Fund Reserve (See Note 13)	50,000	50,000
	-----	-----
NET MOVEMENT IN SHAREHOLDERS' FUNDS	(75,129)	(17,334)
Opening shareholders' funds	1,250,747	1,268,081
	-----	-----
CLOSING SHAREHOLDERS' FUNDS	<u>1,175,618</u>	<u>1,250,747</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS - PARENT

	<u>1996</u>	<u>1995</u>
	£	£
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	35,285	(5,262)
Dividends	87,853	8,968
	-----	-----
	(52,568)	(14,230)
Other recognised gains and losses relating to the year (net) (See Notes 12 and 15)		189,986
Purchase of own shares in 1996 (See Notes 11 and 15)	(23,158)	-----
	-----	-----
NET MOVEMENT IN SHAREHOLDERS FUNDS	(75,726)	175,756
Opening shareholders' funds	633,085	457,329
	-----	-----
CLOSING SHAREHOLDERS' FUNDS	<u>557,359</u>	<u>633,085</u>

BURKLE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

31 DECEMBER 1996

18. **SUBSIDIARIES:** - The company has the following subsidiaries (see note 1f):-

	<u>%</u>	<u>Issued Capital</u>	<u>Incorporated</u>
Burkle Estates Ltd.	100	£1,075	England
Burkle Properties Ltd.	100	£ 100	"
Middle Lane Properties Ltd.	100	£ 100	"
Norfolk Homes (Dereham) Ltd.	100	£ 100	"
Wheathampstead Properties Ltd.	100	£8,000	"
Frontera Properties Ltd.	95	£2,000	Gibraltar

19. **ULTIMATE HOLDING COMPANY**


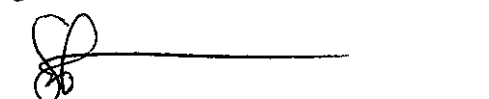
The ultimate holding company is Sotogrande Securities Limited, a company incorporated in England.

BURKLE HOLDINGS LIMITED**BALANCE SHEET****31 DECEMBER 1996**

	<u>Notes</u>	£	<u>1996</u> £	£	<u>1995</u> £
<u>FIXED ASSETS</u>					
Investments:					
Subsidiary Companies	18	284,348		284,348	
Property	6	<u>250,000</u>		<u>250,000</u>	
			534,348		534,348
<u>CURRENT ASSETS</u>					
Cash at Bank		842,075		797,654	
Investments	7	118,586		79,962	
Debtors	8	<u>17,000</u>		<u>30,000</u>	
		977,661		907,616	
<u>CREDITORS:</u> Amounts falling due within one year	9	<u>293,806</u>		<u>221,535</u>	
<u>NET CURRENT ASSETS</u>			683,855		686,081
<u>TOTAL ASSETS</u>					
<u>LESS CURRENT LIABILITIES</u>			1,218,203		1,220,429
<u>CREDITORS:</u> Amounts falling due after more than one year	10		<u>660,844</u>		<u>587,344</u>
			<u>557,359</u>		<u>633,085</u>
<u>CAPITAL AND RESERVES</u>					
Called Up Share Capital	11		290,344		314,064
Capital Reserve	15		188,103		187,541
Revaluation Reserve	12		203,165		203,165
Profit and Loss Account	16		(124,253)		(71,685)
			<u>557,359</u>		<u>633,085</u>

The Notes on Pages 5 to 13 form part of these Financial Statements.

The Financial statements were approved by the Board on 24 July 1997 and signed on its behalf by:-

I. Watson, Director

S. J. Watson, Director

REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF
BURKLE HOLDINGS LIMITED

We have audited the financial statements on pages 3 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on Page 5.

Respective responsibilities of the directors and auditors

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

Basis of opinion

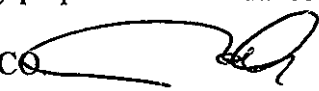

We conducted our audit in accordance with Auditing Standards, issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

JOHN LEWIS & CO
Chartered Accountants
Registered Auditors

Edgware
Middlesex
HA8 5EG

25 July 1997