

Linley Limited
REPORT AND ACCOUNTS
FOR THE PERIOD ENDED
30 JUNE 1998

Registered Number: 2154216



Linley Limited

CONTENTS

| | PAGE |
|--|-------------|
| Report of the director | 2 |
| Statement of director's responsibilities | 3 |
| Report of the auditors | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Notes to the financial statements | 7 |

Linley Limited

REPORT OF THE DIRECTOR

The director presents his report and the financial statements for the thirteen months ended 30 June 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company continues to be that of trading in marketable securities. The companies to which loans are owed have indicated that repayment will not be sought for the foreseeable future. The present level of activity will continue next period.

RESULTS AND DIVIDENDS

The loss for the period, which has been transferred to reserves, was £208,911 (1997 profit : £3,415,467). The director did not recommend the payment of a dividend (1997 - Nil).

DIRECTORS

The following changes in directors occurred during the period :

| | |
|---------------|------------------------|
| Mr JD Rowland | resigned 30 June 1997 |
| Mr DJ Rowland | appointed 30 June 1997 |

Neither director who served during the period had any interest in either the company, or the ultimate holding company.

ELECTIVE RESOLUTIONS

Following the merger of Coopers & Lybrand and Price Waterhouse from 1 July 1998, Coopers & Lybrand resigned as auditors to the Company and the director appointed PricewaterhouseCoopers to fill the resulting casual vacancy.

In accordance with section 379A of the Companies Act 1985 the Company has passed elective resolutions to dispense with the laying of financial statements and reports before the Company in General Meeting, holding Annual General Meetings and the annual appointment of auditors.

BY ORDER OF THE BOARD



K Woolrich
Secretary
Norwich

11 December 1998

Linley Limited

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The director confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the thirteen month period ended 30 June 1998. The director also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The director is responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



K Woolrich
Secretary
Norwich

11 December 1998

Linley Limited
REPORT OF THE AUDITORS
TO THE MEMBERS OF LINLEY LIMITED

We have audited the financial statements on pages 5 to 9, which have been prepared under the historic cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the Company's director is 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.

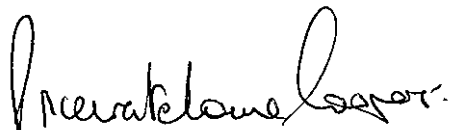
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 June 1998 and of its loss and total recognised losses and cash flows for the thirteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Norwich

16 December 1998

Linley Limited**PROFIT AND LOSS ACCOUNT**

FOR THE THIRTEEN MONTH PERIOD ENDED 30 JUNE 1998

| | NOTES | 13 Months to 30 June 1998 £ | 18 Months to 31 May 1997 £ |
|--|-------|--------------------------------------|-------------------------------------|
| TURNOVER | 2 | 340,272 | 10,233,106 |
| Cost of sales | | <u>(324,026)</u> | <u>(6,867,260)</u> |
| GROSS PROFIT | | 16,246 | 3,365,846 |
| Administrative expenses | 3 | <u>5,366</u> | <u>(8,086)</u> |
| OPERATING PROFIT | | 21,612 | 3,357,760 |
| Interest receivable | | 649 | 77,779 |
| Interest payable | | <u>(219,936)</u> | <u>-</u> |
| (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (197,675) | 3,435,539 |
| Taxation | 4 | <u>(11,236)</u> | <u>(20,072)</u> |
| (LOSS) / PROFIT FOR THE PERIOD | | <u><u>(208,911)</u></u> | <u><u>3,415,467</u></u> |

STATEMENT OF RETAINED EARNINGS

| | | |
|--------------------------------|---------------------------|---------------------------|
| Balance at beginning of period | (7,934,382) | (11,349,849) |
| (Loss) / profit for the period | <u>(208,911)</u> | <u>3,415,467</u> |
| | <u><u>(8,143,293)</u></u> | <u><u>(7,934,382)</u></u> |

All the Company's turnover and losses and profits as disclosed above are derived from continuing operations.

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the losses and profits on ordinary activities before taxation and the losses and profits for the period stated above, and their historical cost equivalents.

Linley Limited**BALANCE SHEET AT 30 JUNE 1998**

| | NOTES | 30 June 1998 £ | 31 May 1997 £ |
|--|-------|----------------------|---------------------|
| CURRENT ASSETS | | | |
| Stocks | 5 | - | 240,948 |
| Debtors | 6 | - | 217,448 |
| Cash at bank | | - | 6,718 |
| | | - | 465,114 |
| CREDITORS: amounts falling due within one year | 7 | (8,143,193) | (8,399,396) |
| NET CURRENT LIABILITIES | | (8,143,193) | (7,934,282) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | (8,143,193) | (7,934,282) |
| NET LIABILITIES | | (8,143,193) | (7,934,282) |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 100 | 100 |
| Profit and loss account | | (8,143,293) | (7,934,382) |
| Deficit on equity shareholders' funds | 9 | (8,143,193) | (7,934,282) |

The financial statements on pages 5 to 9 were approved and signed by the sole director on
11 December 1998

D J Rowland



Director

Linley Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRTEEN MONTH PERIOD ENDED 30 JUNE 1998

1. ACCOUNTING POLICIES

a) Principal Accounting Policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards.

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

b) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention of accounting as modified by the revaluation of investments.

c) Cash Flow

Linley Limited qualifies as a small company under Section 246 of the Companies Act 1985 and therefore under the terms of Financial Reporting Standard No.1 (Revised) is exempt from preparing a cash flow statement.

d) Trading stocks

Marketable securities held as stocks are stated at the lower of cost and net realisable value.

e) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year end exchange rate. Transactions in foreign currencies are translated into sterling at the average rate of exchange ruling at the date of the transaction. The resulting exchange differences are included in the profit and loss account.

f) Deferred taxation

Provision is made for deferred taxation using the liability method, to the extent to which it is expected that an actual liability to corporation tax will crystallise in the foreseeable future.

2. TURNOVER

Turnover comprises the gross sales value of marketable securities.

3. ADMINISTRATIVE EXPENSES

There were no payments made to the directors for services to the Company for the period ended 30 June 1998 and the period ended 31 May 1997. The Company had no other employees. The auditors' remuneration for the period ended 30 June 1998 was borne by the ultimate holding company (period ended 31 May 1997 was £ 5,581).

4. TAXATION

| | 13 Months to 30 June 1998 £ | 18 Months to 31 May 1997 £ |
|--|--------------------------------------|-------------------------------------|
| The charge based on results for the period comprises : | | |
| United Kingdom corporation tax at 23% (1997 : 24%) | - | 20,072 |
| Overprovision in respect of prior year | (75) | - |
| Write off of anticipated income tax refund | 11,311 | - |
| | <u>11,236</u> | <u>20,072</u> |

Linley Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRTEEN MONTH PERIOD ENDED 30 JUNE 1998

5. STOCKS

| | 30 June 1998 £ | 31 May 1997 £ |
|-----------------------|----------------------|---------------------|
| Marketable securities | - | 240,948 |

The aggregate market value of listed investments at 30 June 1998 was £Nil,
(31 May 1997 - £240,948).

6. DEBTORS

| | 30 June 1998 £ | 31 May 1997 £ |
|--------------------------------------|----------------------|---------------------|
| Amounts falling due within one year: | | |
| Trade debtors | - | 2,300 |
| Other debtors | - | 215,148 |
| | - | 217,448 |

7. CREDITORS FALLING DUE WITHIN ONE YEAR

| | 30 June 1998 £ | 31 May 1997 £ |
|-----------------------------------|----------------------|---------------------|
| Corporation Tax | - | 3,225 |
| Amounts due to parent undertaking | 3,302,149 | 4,759,761 |
| Amounts due to group companies | 4,798,983 | 3,589,102 |
| Other creditors and accruals | 42,061 | 47,308 |
| | 8,143,193 | 8,399,396 |

8. SHARE CAPITAL

| | Number of Shares | £ |
|--|---------------------|-----|
| Authorised Ordinary shares of £1 each At 1 June 1997 and 30 June 1998 | 100 | 100 |
| Allotted, called up and fully paid: Ordinary shares of £1 each At 1 June 1997 and 30 June 1998 | 100 | 100 |

Linley Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRTEEN MONTH PERIOD ENDED 30 JUNE 1998

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 30 June 1998 £ | 31 May 1997 £ |
|-------------------------------------|----------------------|---------------------|
| Profit for the financial period | (208,911) | 3,415,467 |
| Shareholders' funds brought forward | <u>(7,934,282)</u> | <u>(11,349,749)</u> |
| Shareholders' funds carried forward | <u>(8,143,193)</u> | <u>(7,934,282)</u> |

10. RELATED PARTIES

In accordance with Financial Reporting Standard No. 8, the following balances are due to related companies outside the Group as at 30 June 1998.

| | As at 30 June 1998 £ | Maximum Amount Outstanding in the period £ |
|-----------------------------|-------------------------------|--|
| Sherborne Limited | 205,816 | 205,816 |
| Wickmere Limited | 4,590,043 | 4,590,043 |
| Colegate Management Limited | <u>3,124</u> | <u>3,124</u> |

Sherborne Limited, Wickmere Limited and Colegate Management Limited are controlled by Sarquila Investments Limited.

11. ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Lawgra (No.365) Limited which is incorporated in England and Wales. Copies of the financial statements of Lawgra (No.365) Limited are available from St Clements House, 2-16 Colegate, Norwich, NR3 1BQ.

The ultimate parent undertaking of Linley Limited is Sarquila Investments Limited, a company incorporated in the British Virgin Islands. All of the share capital of Sarquila Investments Limited is owned by the trustees of the MA Rowland Settlement Trust, beneficiaries of which are family members of DJ Rowland. The trustees are therefore deemed to be the ultimate controlling party.

12. GOING CONCERN

The Company is dependent upon the loans from its parent undertaking and other related companies not being called. The director has obtained assurances from these companies that the loans will be made available for the foreseeable future.