

Chantrey Vellacott DFK

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Reg No. 2239161

RIO BERKELEY LIMITED

**Financial Statements
31 March 1998**



RIO BERKELEY LIMITED

Directors' report for the year ended 31 March 1998

The directors submit their report and financial statements for the year ended 31 March 1998.

Review of the business

The principal activity of the company is that of property dealing. As reported last year the company's remaining property interests in Upper Berkeley Street were disposed of in March 1998.

Directors and their interests

The directors during the year and their interests in the share capital of the company were as follows:

	Ordinary shares of £1	
	1998	1997
S.S. Ahmed	-	-
Mrs. H. Baines	-	-

Directors' responsibilities

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 profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 financial statements 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.

RIO BERKELEY LIMITED

Directors' report for the year ended 31 March 1998

Auditors

A resolution concerning the reappointment of Chantrey Vellacott DFK as auditors of the company will be proposed at the forthcoming Annual General Meeting.

In preparing the above report the directors have taken advantage of special exemptions applicable to small companies.

BY ORDER OF THE BOARD

H BAINES

.....
Director

Date:

H. Baines
2/2/99

Chantrey Vellacott DFK

RIO BERKELEY LIMITED

Auditors' report to the members of Rio Berkeley Limited

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of the directors and the auditors

As described on page 1 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 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 12 of the financial statements concerning the continuation of the company's operations. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Chantrey Vellacott DFK
CHANTREY VELLACOTT DFK

Chartered Accountants
Registered Auditors

London

Date: 2 September 1999

RIO BERKELEY LIMITED**Profit and loss account for the year ended 31 March 1998**

	Notes	1998 £	1997 £
Turnover	2	105,167	1,667,338
Cost of sales		100,000	1,656,948
Gross profit		5,167	10,390
Administrative expenses		(14,953)	22,256
Operating (loss)	3	(9,786)	(11,866)
Interest payable	4	-	-
Interest receivable	5	-	3,890
Loss on ordinary activities before taxation		(9,786)	(7,976)
Tax on loss on ordinary activities	6	-	-
Loss on ordinary activities after taxation		(9,786)	(7,976)
Loss brought forward		(4,479,054)	(4,471,078)
Loss carried forward		(4,488,840)	(4,479,054)

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

The notes on pages 6 to 9 form part of these financial statements.

RIO BERKELEY LIMITED

Balance sheet as at 31 March 1998

	Notes	1998 £	1997 £
Current assets			
Stock	7	-	97,944
Debtors	8	-	4,768
Cash at bank		<u>349</u>	<u>209</u>
		349	102,921
Creditors: Amounts falling due within one year	9	(4,489,089)	(4,581,875)
Net current liabilities		<u>(4,488,740)</u>	<u>(4,478,954)</u>
Capital and reserves			
Called-up share capital	10	100	100
Profit and loss account		(4,488,840)	(4,479,054)
		<u>(4,488,740)</u>	<u>(4,478,954)</u>

Approved by the directors on 2 September 1998 and signed on their behalf by:

H. BAINES

H. Baines

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Director

The notes on pages 6 to 9 form part of these financial statements.

RIO BERKELEY LIMITED

Notes to the financial statements For the year ended 31 March 1998

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Property dealing

Property interests are held as trading stock and are stated at the lower of cost and net realisable value. Cost includes direct expenditure including furnishings and interest incurred up to the date of completion of the original purchase.

Net realisable value is the estimated proceeds to accrue from future sales of apartments and other property interests in the normal course of business, less attributable costs to completion.

Property sales are recognised on exchange of contracts provided that completion has taken place before approval of the financial statements.

Rental income

Rental income is accounted for on an accruals basis.

Interest payable

Interest relating to unsold apartments held as trading stock is charged to the profit and loss account.

Deferred taxation

Deferred taxation is provided under the liability method on all material timing differences to the extent that they are expected to reverse in the foreseeable future.

2. Turnover

Turnover, which arose wholly in the United Kingdom, is made up as follows:

	1998 £	1997 £
Sale of property interests	100,000	1,615,396
Rental income	2,600	47,091
Ground rent	2,567	4,851
	<u>105,167</u>	<u>1,667,338</u>

3. Operating (loss)/profit

This is stated after charging:

	1998 £	1997 £
Director's remuneration	-	-
Auditors' remuneration	<u>2,496</u>	<u>1,763</u>

RIO BERKELEY LIMITED

Notes to the financial statements For the year ended 31 March 1998

4.	Interest payable	1998	1997
		£	£
	Bank loan repayable within 5 years	-	-
		<u> </u>	<u> </u>
	Since August 1995 the bank has ceased charging interest on the outstanding bank loan.		
5.	Interest receivable	1998	1997
		£	£
	Bank interest	-	3,890
		<u> </u>	<u> </u>
6.	Tax on loss on ordinary activities		
	There is no charge to corporation tax due to the availability of losses.		
	The company is a close company as defined by the Income and Corporation Taxes Act 1988.		
7.	Stock	1998	1997
		£	£
	Direct costs	-	100,000
	Less: provisions	-	(2,056)
		<u> </u>	<u> </u>
		-	97,944
		<u> </u>	<u> </u>
8.	Debtors	1998	1997
		£	£
	Other debtors	-	4,768
		<u> </u>	<u> </u>
9.	Creditors: Amounts falling due within one year	1998	1997
		£	£
	Bank loan	2,284,586	2,384,586
	Other creditors	82,496	76,946
	Loan from group undertaking	2,110,466	2,110,466
	Accruals	11,541	9,877
		<u> </u>	<u> </u>
		4,489,089	4,581,875
		<u> </u>	<u> </u>

RIO BERKELEY LIMITED**Notes to the financial statements
For the year ended 31 March 1998****9. Creditors: Amounts falling due within one year**

The bank loan is secured by a fixed charge over leasehold property included in trading stock and a floating charge over the company's other assets. The company's shareholders have given guarantees to the company's bankers.

10. Called-up share capital	1998	1997
	£	£
Authorised:		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted and fully paid:		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

11. Capital commitments

There were no capital commitments at 31 March 1998 (1997 - none).

12. Going concern

At 31 March 1998 the company's liabilities exceeded its assets by £4,488,740.

During the year, the leaseholders exercised their statutory right to acquire the head leasehold from the company for the same consideration as offered by the purchaser of the apartments and the company's remaining property interests were disposed of. The company's bankers continued to support the company's plans to sell all its property interests to reduce bank borrowings during this period.

At the date these financial statements were approved the company's bankers have not *withdrawn their support for the company and accordingly the financial statements are prepared on a going concern basis. Should this support be withdrawn then the company would not be able to continue operating.*

Whilst the directors cannot be certain as to the bankers' continued support they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

13. Ultimate parent company

In the opinion of the directors the ultimate parent company is Pharaoh Holdings Limited (in receivership), registered in the Bahamas.

There was no movement in the loan account balance of £2,110,466 during the year.

RIO BERKELEY LIMITED

Notes to the financial statements For the year ended 31 March 1998

14. Related party transactions

Included in other creditors is the sum of £77,221 (1997 : £76,946) advanced by S.F. Ahmed, one of the shareholders, by way of interest free unsecured loans.