

Centro Group Limited
Financial Statements
31st March 1998

Company Registration Number 2659766

BROOKS & CO.

Chartered Accountants and Registered Auditors
Hampton House
High Street
East Grinstead
West Sussex
RH19 3AW



Centro Group Limited

Financial Statements

Year Ended 31st March 1998

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Centro Group Limited

The Directors' Report

Year Ended 31st March 1998

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the ownership and the associated management of a portfolio of ground rents and the maintenance of the associated Freehold properties.

The level of business for the year ended 31st March 1998 increased by 65%. The directors consider the financial position of the company to be satisfactory and anticipate the present level of activity will be sustained for the foreseeable future. The company is expected to benefit from the consolidation of the activities under the plc banner.

GOING CONCERN AND THE YEAR 2000 ISSUE

The directors are not aware of any hardware or software in use by the company for administration or operations that is not Year 2000 compliant.

The trading operations of the company are unlikely to be affected and continual improvements and upgrades are being made to the system used by the company.

No material costs are likely to be incurred should any of the software need further upgrading.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 March 1998	At 1 April 1997
R. P. Harwood	-	-
D. E. Walker	-	-
J. P. Harwood	9	9
P. R. Harwood	9	9
	<hr/>	<hr/>

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Centro Group Limited

The Directors' Report *(continued)*

Year Ended 31st March 1998

DIRECTORS' RESPONSIBILITIES *(continued)*

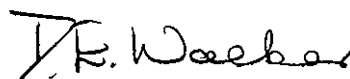
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding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

AUDITORS

A resolution to re-appoint Brooks & Co. as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Mid-Day Court
30 Brighton Road
Sutton
Surrey
SM2 5BN

Signed by order of the directors



D.E. Walker
Company Secretary

Approved by the directors on 27 January 1999

Centro Group Limited

Auditors' Report to the Shareholders

Year Ended 31st March 1998

We have audited the financial statements on pages 4 to 12 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 8.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 2, 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.

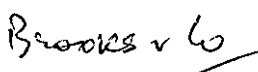
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 company's state of affairs as at 31st March 1998 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Hampton House
High Street
East Grinstead
West Sussex
RH19 3AW

27 January 1999


BROOKS & CO.
Registered Auditors

Centro Group Limited**Profit and Loss Account****Year Ended 31st March 1998**

	Note	1998 £	1997 £
TURNOVER	2	197,803	119,841
Cost of sales		<u>40,153</u>	<u>47,720</u>
GROSS PROFIT		157,650	72,121
Administrative expenses		<u>97,832</u>	<u>65,258</u>
OPERATING PROFIT	3	59,818	6,863
Mortgage interest payable	5	33,285	18,028
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>26,533</u>	<u>(11,165)</u>
Tax on profit/(loss) on ordinary activities	6	3,227	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>23,306</u>	<u>(11,165)</u>
Balance brought forward		(11,165)	-
Balance carried forward		<u>12,141</u>	<u>(11,165)</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

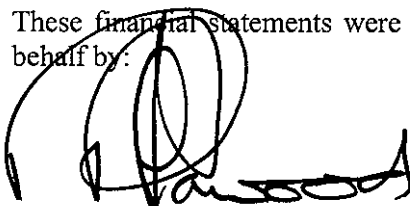
Centro Group Limited

Balance Sheet

31st March 1998

	Note	1998	1997
		£	£
FIXED ASSETS			
Investments	7	575,000	575,000
CURRENT ASSETS			
Debtors	8	75,540	27,250
Cash at bank and in hand		878	43,113
		<u>76,418</u>	<u>70,363</u>
CREDITORS: Amounts falling due within one year	9	<u>(130,530)</u>	<u>(123,987)</u>
NET CURRENT LIABILITIES		<u>(54,112)</u>	<u>(53,624)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		520,888	521,376
CREDITORS: Amounts falling due after more than one year	10	<u>(446,403)</u>	<u>(470,197)</u>
		<u>74,485</u>	<u>51,179</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	75	75
Revaluation reserve		62,269	62,269
Profit and loss account		<u>12,141</u>	<u>(11,165)</u>
SHAREHOLDERS' FUNDS	14	<u>74,485</u>	<u>51,179</u>

These financial statements were approved by the directors on 27 January 1999, and are signed on their behalf by:



R. P. Harwood



P. R. Harwood

Centro Group Limited**Cash Flow Statement****Year Ended 31st March 1998**

	1998	1997
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	16,420	88,351
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	(33,285)	(18,028)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(33,285)	(18,028)
ACQUISITIONS AND DISPOSALS		
CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(16,865)	70,323
FINANCING		
Repayment of mortgage	(17,120)	370,651
Repayment of directors' long-term loans	(8,250)	114,870
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	(25,370)	485,521
(DECREASE)/INCREASE IN CASH	(42,235)	555,844
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
	1998	1997
	£	£
Operating profit	59,818	6,863
Increase in debtors	(48,290)	(27,175)
Increase in creditors	4,892	108,663
Net cash inflow from operating activities	16,420	88,351

Centro Group Limited**Cash Flow Statement** *(continued)***Year Ended 31st March 1998****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1998		1997
	£	£	£
(Decrease)/Increase in cash in the period	(42,235)		43,113
Net cash outflow/(inflow) from bank loans	17,120		(370,651)
Net cash outflow/(inflow) from directors' long-term loans	8,250		(114,870)
Change in net debt		(16,865)	(442,408)
Net debt at 1st April 1997		(442,408)	-
Net debt at 31st March 1998		(459,273)	(442,408)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 1997	Cash flows	At 31 Mar 1998
	£	£	£
Net cash:			
Cash in hand and at bank	43,113	(42,235)	878
Debt:			
Debt due within 1 year	(15,324)	1,576	(13,748)
Debt due after 1 year	(470,197)	23,794	(446,403)
	(485,521)	25,370	(460,151)
Net debt	(442,408)	(16,865)	(459,273)

Centro Group Limited

Notes to the Financial Statements

Year Ended 31st March 1998

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	1998 £	1997 £
United Kingdom	<u>197,803</u>	<u>119,841</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	1998 £	1997 £
Directors' emoluments	-	-
Auditors' remuneration - as auditors	<u>2,200</u>	<u>1,500</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	1998 No.	1997 No.
Number of administrative staff	<u>2</u>	<u>1</u>

The aggregate payroll costs of the above were:

	1998 £	1997 £
Wages and salaries	33,803	7,820
Social security costs	<u>3,079</u>	<u>798</u>
	<u>36,882</u>	<u>8,618</u>

Centro Group Limited**Notes to the Financial Statements****Year Ended 31st March 1998****5. INTEREST PAYABLE**

	1998 £	1997 £
Interest payable on mortgage	<u>33,285</u>	<u>18,028</u>

6. TAX ON PROFIT/LOSS ON ORDINARY ACTIVITIES

	1998 £	1997 £
Corporation tax based on the results for the year at 21% (1997 - 24%)	<u>3,227</u>	<u>-</u>

7. INVESTMENTS

	Freehold Ground Rents £
COST	
At 1st April 1997 and 31st March 1998	<u>575,000</u>
NET BOOK VALUE	
At 31st March 1998	<u>575,000</u>
At 31st March 1997	<u>575,000</u>

8. DEBTORS

	1998 £	1997 £
Trade debtors	4,203	11,727
Amounts owed by group undertakings	70,807	11,419
Other debtors	-	4,104
Prepayments and accrued income	530	-
	<u>75,540</u>	<u>27,250</u>

Centro Group Limited

Notes to the Financial Statements

Year Ended 31st March 1998

9. CREDITORS: Amounts falling due within one year

	1998		1997
	£	£	£
Mortgage		13,748	15,324
Trade creditors		4,216	-
Amounts owed to group undertakings		24,000	20,000
Other creditors including taxation and social security:			
Corporation tax	3,227		-
PAYE and social security	1,511		622
Other creditors	<u>47,833</u>		<u>72,230</u>
		52,571	72,852
Accruals and deferred income		<u>35,995</u>	<u>15,811</u>
		<u>130,530</u>	<u>123,987</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	1998	1997
	£	£
Mortgage	<u>13,748</u>	<u>15,324</u>

10. CREDITORS: Amounts falling due after more than one year

	1998	1997
	£	£
Mortgage	339,783	355,327
Other creditors:		
Directors' loan accounts	<u>106,620</u>	<u>114,870</u>
	<u>446,403</u>	<u>470,197</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	1998	1997
	£	£
Mortgage	<u>339,782</u>	<u>355,327</u>

The mortgage is secured by a debenture dated 29th August 1996 over the property and assets of the company. This loan is repayable by monthly instalments and the total amount of these instalments that fall due for payment after five years is £265,329. The interest rate is equal to LIBOR plus 2% and the mortgage redemption date is 31st August 2011.

Centro Group Limited

Notes to the Financial Statements

Year Ended 31st March 1998

11. CONTINGENT LIABILITIES

The bank holds a cross guarantee between Centro Plc, Centro Group Limited and Centro Commercial Limited for the repayment of the overdraft.

12. RELATED PARTY TRANSACTIONS

During the year the company entered into the following transactions:

At 31st March 1998 the company was owed £70,807 from Centro Plc, the holding company of which R. P. Harwood, D. E. Walker, P. R. Harwood and J. P. Harwood are all directors and hold 72.9%, 8.9% and 9.1% each of issued share capital respectively.

At 31st March 1998 the company owed £20,000 to Centro Commercial Limited a company of which P. R. Harwood, J. P. Harwood, R. P. Harwood and D. E. Walker are all directors. P. R. Harwood, J. P. Harwood and D. E. Walker each hold 7.7 % of the issued share capital and R. P. Harwood holds 1.1% of the issued share capital of Centro Commercial Limited.

At 31st March 1998 £4,000 was owed to Centro Services Limited a company of which R. P. Harwood, D. E. Walker, J. P. Harwood and P. R. Harwood are all directors. J. P. Harwood and P. R. Harwood each hold 12% of the issued share capital and R. P. Harwood holds 1% of the share capital of Centro Services Limited.

13. SHARE CAPITAL

Authorised share capital:

	1998 £	1997 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	1998 £	1997 £
Ordinary share capital	<u>75</u>	<u>75</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit/(Loss) for the financial year	23,306	(11,165)
Opening shareholders' equity funds	<u>51,179</u>	<u>62,344</u>
Closing shareholders' equity funds	<u>74,485</u>	<u>51,179</u>

15. ULTIMATE PARENT COMPANY

Centro plc, a company incorporated in England and Wales, holds 76% of the shares and is the ultimate parent company.