

DUNEPower LIMITED

Company Number - 2913621

ACCOUNTS FOR THE YEAR ENDED

31 DECEMBER 1998

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EDWARDS & KEEPING

Chartered Accountants

Unity Chambers

34 High East Street

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DT1 1HA



DUNEPower LIMITED

DIRECTORS' REPORT

The Directors submit their Report and the Audited Accounts of the Company for the year ended 31 December 1998.

Principal Activity

The Company's principal activity continued to be the purchase, development and management of property.

Directors and their Interests

The Directors who served during the year were as follows:-

J R Drax
R M P Richards
M J Pendower (resigned 6 April 1998)
J N Hollond

No Director had at any time during the year any interest in the shares of the Company, which is a wholly-owned subsidiary of Parham Holdings Ltd.

Statement of Directors' Responsibilities in respect of the Accounts

Company law requires the Directors to prepare 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 these Accounts the Directors are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the 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 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.

Year 2000 and the Euro

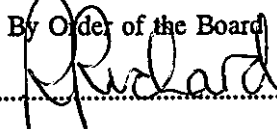
The Company's accounting systems are computer-based and the arrival of the year 2000 therefore poses a potential risk. The Company has arranged for its systems to be checked and believes that they are Year 2000 compatible. It is also taking steps to ensure, as far as possible, that its bankers and suppliers are also compatible. All costs relating to this issue have been written off in the Accounts.

It is not anticipated that the introduction of the euro will have any impact on the company's operations while it is not in general use in the UK. Any transactions denominated in euros will be treated in the same way as any other foreign currency, but transactions with entities within the rest of the EU are currently limited.

Auditors

Messrs Edwards & Keeping have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors will be put to the members at the Annual General Meeting.

Advantage is taken in the preparation of the Directors' Report of the special exemptions applicable to Small Companies by Part VII of the Companies Act 1985.

By Order of the Board

R M P Richards
Secretary

AUDITORS' REPORT TO THE MEMBERS OF

DUNEPower LIMITED

We have audited the Accounts on pages 3 to 7 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention and the accounting policies set out on page 5.

Respective Responsibilities of Directors and Auditors

As described on page 1, the Company's Directors are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on these Accounts 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 Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts 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 Accounts are free from material mis-statement, 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 Accounts.

Opinion

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

Edwards & Keeping
Chartered Accountants &
Registered Auditors

Edwards and Keeping
Chartered Accountants
Unity Chambers
34 High East Street
Dorchester
Dorset
DT1 1HA

26 April 1999

DUNEPower LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Note</u>	<u>Current Year</u>	<u>Previous Year</u>
Turnover	1(e)	£220,158	£191,323
Administrative Expenses		<u>8,321</u>	<u>27,686</u>
		211,837	163,637
Other Operating Income	2	<u> </u>	<u> </u>
<u>Operating Profit</u>		211,837	163,637
Interest receivable	3	£950	£224
Interest payable	4, 7	<u>(187,000)</u>	<u>(202,136)</u>
		(186,050)	(201,912)
<u>Profit/(Loss) on Ordinary Activities</u> <u>before Taxation</u>	5	25,787	(38,275)
Tax on Profit/(Loss) on Ordinary Activities	6	<u>5,415</u>	<u>(12,987)</u>
<u>Profit/(Loss) for the financial year</u>		20,372	(25,288)
Retained Loss brought forward		<u>(53,156)</u>	<u>(27,868)</u>
<u>Retained Loss carried forward</u>		<u>(£32,784)</u>	<u>(£53,156)</u>

DUNEPower LTD

BALANCE SHEET AS AT 31 DECEMBER 1998

	<u>Note</u>	<u>31/12/98</u>	<u>31/12/97</u>
<u>Current Assets</u>			
Properties for Resale		£2,026,787	£2,096,787
Amounts owing by			
Associated Undertakings	7	184,126	101,139
Other Debtors		147,305	92,784
Cash at Bank		21,686	20,736
		<u>£2,379,904</u>	<u>£2,311,446</u>
<u>Creditors: Amounts falling due within 1 year</u>			
Amount owing to Parent Undertaking	7	£2,342,446	£2,295,396
Group Relief		5,415	
Rents received in advance		40,347	48,626
Other Creditors		24,478	20,578
		<u>£2,412,686</u>	<u>£2,364,600</u>
<u>Net Current Liabilities</u>		<u>(£32,782)</u>	<u>(£53,154)</u>
<u>Capital and Reserves</u>			
Equity Share Capital	8	£2	£2
Profit and Loss Account		(32,784)	(53,156)
<u>Shareholders' Funds</u>		<u>(£32,782)</u>	<u>(£53,154)</u>

Advantage is taken in the preparation of the Accounts of the special exemptions applicable to Small Companies conferred by Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities. In the Directors' opinion, the Company is entitled to these exemptions as a Small Company.

The Accounts were approved by the Directors on 22 April 1999

Richard Director

DUNEPower LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998

1. Accounting Policies

(a) Accounting Convention

The Accounts are prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention and in accordance with applicable accounting standards.

(b) Deferred Taxation

Deferred Taxation is provided by the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is expected that tax will be payable.

(c) Property for Resale

The Company's properties are valued at the lower of cost and net realisable value, with any unrealised losses taken to the Profit and Loss Account. Cost includes all costs incurred in development.

(d) Cash Flow Statements

The Company is a subsidiary undertaking of its parent undertaking Parham Holdings Ltd, which has published a group cash flow statement in compliance with Financial Reporting Standard No 1. Accordingly, a cash flow statement is not presented in these Accounts.

(e) Turnover

Turnover consists of rents receivable, as a result of the company's continuing principal activity. The properties concerned are all situated in the UK.

2. <u>Other Operating Income</u>		<u>1998</u>	<u>1997</u>
Properties – brought forward		£2,096,787	£2,096,787
<u>Less</u>	Sales		
	Carried forward at cost	£70,000 2,026,787	2,096,787
		<u>2,096,787</u>	<u>2,096,787</u>
Profit on Disposals		-	-
		<u>-</u>	<u>-</u>
3. <u>Interest Receivable</u>			
Bank Deposit Interest		£950	£224
		<u>£950</u>	<u>£224</u>
4. <u>Interest Payable</u>			
On loans from Parent Undertaking		£187,000	£202,136
		<u>£187,000</u>	<u>£202,136</u>

DUNEPower LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

5. (Profit)/Loss on Ordinary Activities before Taxation 1998 1997

There is no charge in the Accounts for Directors' Remuneration. Auditors' Remuneration is paid by the holding company.

6. Taxation

Corporation Tax at 21% on the profit for the year (payable to holding company in respect of Group Relief surrendered)	£5,415	
Group Relief at 33.93% on the loss for the year		(£12,987)
	<u> </u>	<u> </u>

7. Loan from Parent Undertaking

The parent undertaking has advanced loans in respect of the purchase of the Company's properties. In addition almost all transactions are now conducted through the bank accounts of the parent undertaking, resulting in various cross loans to and from individual subsidiary companies. Interest on the net balances is calculated at commercial rates on a daily basis and added to the loan account balances at the end of each quarter.

8. Equity Share Capital

<u>Authorised</u> - Ordinary Shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
<u>Allotted, Called Up and Fully Paid</u> - Ordinary Shares of £1 each	2	2
	<u> </u>	<u> </u>

9. Capital Commitments

The Company had no Capital commitments at 31 December 1998.

10. Contingent Liabilities

The Company, together with its parent undertaking and fellow subsidiaries, has entered into a joint debenture in respect of a loan of £50,000,000 from Bayerische Hypo-und Vereinsbank AG to Parham Holdings Ltd.

The loan is secured against the group's freehold properties.

DUNEPower LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

11. Ultimate and Intermediate Parent Undertakings

The company is a 100% subsidiary of Parham Holdings Ltd. The ultimate controlling party is J R Drax, a Director of the Company, by virtue of his 100% ownership of Beaulieu Property Management Ltd, which in turn owns a 50% controlling share of Parham Holdings Ltd. Group Accounts are prepared by Parham Holdings Ltd.

12. Related Party Transactions

There were no transactions with Directors or other related parties during the year, except as follows:-

- (1) Interest on inter-company loans. Advantage is taken of the exemption provided by FRS8 in respect of these loans, on the grounds that consolidated accounts are available.
- (2) The Company sold a site at Downlands Road, Purley, Surrey, to its associated company, Parham Development Ltd, for £70,000. This transaction was conducted on normal commercial terms.