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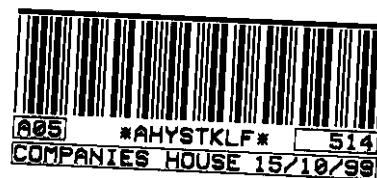
FORMALDEAL PROPERTY MANAGEMENT LIMITED

Company number: 2918379

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 1998



ARTHUR GODDARD & CO.
Chartered Accountants
2 St. John's Place
St. John's Square
London EC1M 4NP

FORMALDEAL PROPERTY MANAGEMENT LIMITED

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FORMALDEAL PROPERTY MANAGEMENT LIMITED

DIRECTORS:

J.S. Slaughter
Mrs S.K. Shelton-Agar (resigned 17.7.98)
Z. Okhai
J.F. Byng
N.W. Andrews (appointed 12.10.98)

SECRETARY AND REGISTERED OFFICE:

KINLEIGH LIMITED
KFH House
Norstead Place
London SW15 3SA

AUDITORS:

ARTHUR GODDARD & CO
Chartered Accountants
2 St John's Place
St John's Square
London EC1M 4NP

COMPANY BANKERS:

LLOYDS BANK PLC
Butler Place Branch
P O Box 132
Caxton Street
London SW1H 0PR

FORMALDEAL PROPERTY MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1998

The directors submit herewith their report and accounts of the company for the year ended 31st December 1998.

Results

The net surplus after taxation for the year was £19,300 which has been transferred to the maintenance reserve. Due to the nature of the company's activities no dividends are payable.

Review of the company's activities and future developments

The principal activity of the company is the ownership of the freehold property and collection of ground rent and service charges from the leaseholders and in the opinion of the directors this is unlikely to change in the future.

Market value

In the opinion of the directors the value of the freehold property has not materially changed since its purchase.

Directors and their interests

The directors throughout the year were as shown on the previous page.

Each director held one share in the company throughout their period of office. In accordance with the company's Articles of Association, Z. Okhai will retire at the Annual General Meeting, but is eligible for re-election without nomination.

FORMALDEAL PROPERTY MANAGEMENT LIMITED

REPORT OF THE DIRECTORS (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 1998

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view. In preparing those financial statements, the directors are required to:-

1. Select suitable accounting policies and then apply them on a consistent basis making judgements and estimates that are prudent and reasonable.
2. Prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

The Company is aware of the year 2000 compliance issues in relation to its own affairs. The managing agents, whose responsibilities include the processing of the Company's transactions on their computers, are taking such steps as are necessary in relation to this matter to ensure that they can continue to provide compliant processing procedures to the millennium and beyond.

Auditors

At the forthcoming Annual General Meeting it will be proposed that the company's auditors, Messrs. Arthur Goddard & Co., be re-appointed as the company's auditors to undertake an audit for the ensuing year.

Date: 15th September 1999

BY ORDER OF THE BOARD

Kinleigh Ltd

KINLEIGH LIMITED
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF
FORMALDEAL PROPERTY MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of 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 the company's affairs as at 31st December 1998 and of its result for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

2 St. John's Place,
St. John's Square,
London, EC1M 4NP.

Date: 8TH OCTOBER 1999


ARTHUR GODDARD & CO.

Chartered Accountants

Registered Auditor

FORMALDEAL PROPERTY MANAGEMENT LIMITED

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>NOTE</u>	<u>1998</u> £	<u>1997</u> £
Turnover	2	28,449	9,264
Costs of maintenance and services		<u>6,414</u>	<u>6,210</u>
		22,035	3,054
Less: Administrative expenses		<u>2,942</u>	<u>2,756</u>
Operating surplus/(deficit)	3	19,093	298
Interest receivable and similar income	4	<u>262</u>	<u>317</u>
Surplus on ordinary activities before taxation		19,355	615
Taxation	5	<u>55</u>	<u>52</u>
Surplus on ordinary activities after taxation		19,300	563
Transfer to reserves		<u>19,300</u>	<u>563</u>
<u>Surplus for the year</u>		<u>£ NIL</u>	<u>£ NIL</u>

NOTE

The above costs do not include £843 (1997:£30,018) of specific maintenance expenditure which has been deducted directly from the maintenance reserve (note 11).

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the above two financial periods.

FORMALDEAL PROPERTY MANAGMENT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>1998</u>	<u>1997</u>
Surplus on ordinary activities after taxation	19,300	563
Specific maintenance expenditure deducted directly from reserves	<u>(843)</u>	<u>(30,018)</u>
Total recognised gains and losses relating to the year	<u>£ 18,457</u>	<u>£ (29,455)</u>

FORMALDEAL PROPERTY MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 1998

	<u>NOTE</u>	<u>1998</u>	<u>1997</u>
<u>TANGIBLE FIXED ASSETS</u>		<u>£</u>	<u>£</u>
Freehold Property	6	13,144	13,144

CURRENT ASSETS

Debtors	7	5,684	7,586
Cash at bank and in hand		<u>19,386</u>	<u>-</u>
		25,070	7,586

CREDITORS: amounts falling due within one year 8 (16,380) (17,353)

Net current assets 8,690 (9,767)

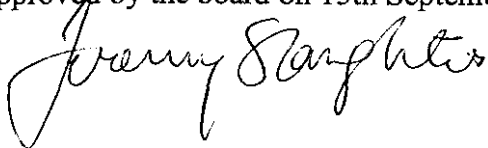
NET ASSETS £21,834 £ 3,377


CAPITAL AND RESERVES

Called up share capital	9	12	12
Share premium	10	1,999	1,999
Maintenance reserve	11	<u>19,823</u>	<u>1,366</u>

EQUITY SHAREHOLDERS' FUNDS 12 £21,834 £ 3,377

Approved by the board on 15th September 1999


J.S. SLAUGHTER


J.F. BYNG

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) Directors
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FORMALDEAL PROPERTY MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

1. Accounting Policies

- (a) The accounts are prepared under the historical cost convention.
- (b) No depreciation is provided on the freehold property as there is adequate expenditure each year to maintain the property and ensure that there is no diminution in value. Although this is a departure from company law, in the opinion of the directors, it is necessary in order to present a true and fair view. The effect of this departure is considered to be not material, as the property is held on a long lease.
- (c) Expenditure for cyclical maintenance is shown as a deduction from the maintenance reserve, set out in the notes to the accounts. This expenditure is not included in the Income and Expenditure Account.
The annual transfer to maintenance reserve is shown in the Income and Expenditure Account and under the reserves note.

2. Turnover

Turnover represents service charges receivable from lessees.

3. Operating surplus/(deficit)

	<u>1998</u>	<u>1997</u>
Operating surplus/(deficit) is stated after charging:-		
Auditors' remuneration (including VAT)	£ 623	£ 576
	<u> </u>	<u> </u>

4. Interest receivable and similar income

	<u>1998</u>	<u>1997</u>
Bank deposit income	262	242
Ground rent receivable	<u> </u>	<u>75</u>
	£262	£317
	<u> </u>	<u> </u>

5. Taxation

Corporation tax has been provided at the rate of 21% (1997: 21.75%) on deposit interest received:-

£ 55	£ 52
<u> </u>	<u> </u>

6. Tangible assets

The freehold land and buildings at 4,7 and 8 Peterborough Villas, London SW6 were acquired in the period ended 30th April 1995 for £13,144 and are subject to twelve leases of ninety nine years each. In the opinion of the directors the value of the freehold property is no less than that shown in the Balance Sheet.

There were capital commitments contracted for at the balance sheet date amounting to £18,554 for the external repair and re-decoration of the front elevation (1997: £NIL).

FORMALDEAL PROPERTY MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 1998

7.	<u>Debtors</u>	1998	1997
		£	£
	Service charges in arrears	579	782
	Other debtors	1,615	-
	Kinleigh Limited - client account	2,945	5,546
	Prepayments and accrued income	<u>545</u>	<u>1,258</u>
		<u>£ 5,684</u>	<u>£ 7,586</u>

8.	<u>Creditors: amounts falling due within one year</u>	1998	1997
		£	£
	Service charges in advance	244	366
	Shareholders' loans	12,907	12,907
	Other creditors	2,425	3,375
	Corporation tax	55	52
	Accruals	<u>749</u>	<u>653</u>
		<u>£16,380</u>	<u>£17,353</u>

9.	<u>Share capital</u>	<u>Authorised</u>		<u>Allotted, issued and fully paid</u>	
		<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>12</u>	<u>12</u>

10. Share premium account

This represents the premium on one share issued during the year ended 31st December 1997.

11.	<u>Maintenance reserve</u>	£
	Balance at 1st January 1998	1,366
	Transfer from Profit and Loss Account	19,300
	Specific maintenance expenditure	<u>(843)</u>
	Balance at 31st December 1998	<u>£ 19,823</u>
	Attributable:-	
	to equity shareholders	<u>£ 19,823</u>

FORMALDEAL PROPERTY MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31ST DECEMBER 1998

12.	<u>Reconciliation of shareholders' funds</u>	£
	Surplus for the financial year	-
	Transfer to maintenance reserve	19,300
	Issue of share capital	-
	Share premium received	-
	Maintenance reserve expenditure	(843)
	Net increase in shareholders' funds	18,457
	Opening shareholders' funds	<u>3,377</u>
	Closing shareholders' funds	<u>£21,834</u>

13. Related party transactions

a) Included in these accounts is £4,000 of service charges and £7,854 of major works demanded for the year in respect of lessees who were directors at any time during the year.

b) At the balance sheet date, the amounts outstanding were:

Service charges in arrears	£479
Service charges in advance	£244
Major works charges in arrears	£1,615