

FAIRCASTLE LIMITED

COMPANY INFORMATION

DIRECTORS:

O. Tager, Esq.
R. Tager, Q.C.

SECRETARY:

C.M. Frommer, Esq.

REGISTERED OFFICE:

Romeo House,
160 Bridport Road,
Edmonton,
London,
N18 1SY

AUDITORS:

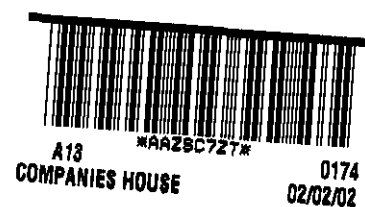
Purcells,
Chartered Accountants and
Registered Auditors,
4 Quex Road,
London,
NW6 4PJ

PRINCIPAL BANKERS:

Barclays Bank Plc.,
North East London Group
P.O. Box 16294
1-2 Trinity Way
Chingford
London
E4 8US

COMPANY REGISTRATION NO:

3683530 (England and Wales)



FAIRCASTLE LIMITED

DIRECTORS' REPORT for the year ended 31st March 2001

The directors present their report together with the audited financial statements of the company for the year ended 31st March 2001.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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 those financial statements, the directors are required to:

- select suitable accounting policies and 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.

PRINCIPAL ACTIVITY

The company's principal activity during the year continued to be that of an investment holding company.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during this year and the previous period, were as follows:-

O. Tager, Esq.
R. Tager, Q.C.

The directors interests in the share capital of the company were through their shareholdings in the ultimate parent undertaking, Greenquest Limited, as detailed in the financial statements of that company.

GROUP COMPANIES

At the balance sheet date the company held all of the issued share capital of Romeo Trading Company Limited, a company incorporated in Great Britain whose principal activity is that of the wholesaling of clothing and related accessories. Consolidated accounts are not prepared, as the company is itself a wholly-owned subsidiary of Greenquest Limited, which is also incorporated in Great Britain and which prepares consolidated accounts.

FAIRCASTLE LIMITED

DIRECTORS' REPORT for the year ended 31st March 2001 (continued)

AUDITORS

Messrs. Purcells will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

SMALL COMPANY RULES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies. It was approved by the Board on 31st January 2002 and signed on its behalf.



C.M. Frommer,
Secretary

FAIRCASTLE LIMITED

AUDITORS' REPORT

To the shareholders of Faircastle Limited

We have audited the financial statements on pages 5 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, 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.

Departure from FRSSE and qualified opinion arising therefrom

The company's investment properties are included in the financial statements at cost. This does not comply with the requirements of the FRSSE, whereby such properties should be shown in the balance sheet at market value. Since the relevant valuations are not available to us, we are unable to quantify the effect of this departure.

Except for this non-compliance, in our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the provision of the Companies Act 1985 applicable to small companies.

4 Quex Road,
London,
NW6 4PJ


Purcells,
Chartered Accountants and
Registered Auditors,

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FAIRCASTLE LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2001

	Note	£	15.12.1998 to 31.12.2000 £
Turnover	2	501,007	920,025
Cost of sales		<u>89,255</u>	<u>160,759</u>
Gross profit		411,752	759,266
Administrative expenses		<u>56,857</u>	<u>44,801</u>
Operating profit	3	354,895	714,465
Loss on disposal of tangible fixed assets		<u>-</u>	<u>26,839</u>
Profit on ordinary activities before interest		354,895	687,626
Interest receivable		1,150	4,498
Interest payable and similar charges	4	<u>8,722</u>	(<u>45,314</u>)
Profit on ordinary activities before taxation		364,767	646,810
Loss surrendered by group company	5 ii)	<u>377,660</u>	<u>-</u>
		(12,893)	646,810
Taxation on profit on ordinary activities	5 i)	<u>-</u>	<u>362,270</u>
(Loss)/profit on ordinary activities after taxation		(12,893)	284,540
Dividend	6	<u>100,000</u>	<u>100,000</u>
(Loss)/retained profit for the year		(112,893)	184,540
Retained profit brought forward		<u>184,540</u>	<u>-</u>
Retained profit carried forward		<u>71,647</u>	<u>184,540</u>

The notes on pages 7 to 11 form part of these financial statements.

FAIRCASTLE LIMITED

BALANCE SHEET at 31st March 2001

	Note	£	31.3.2000 £
FIXED ASSETS			
Tangible	7	5,912,934	5,904,773
Investment in subsidiary	8	<u>1,200</u>	<u>1,200</u>
		5,914,134	5,905,973
CURRENT ASSETS			
Debtors	9	8,212,801	9,254,703
Cash at bank and in hand		<u>-</u>	<u>39,597</u>
		8,212,801	9,294,300
CREDITORS: amounts falling due within one year	10	<u>1,620,722</u>	<u>(5,342,411)</u>
Net current assets		<u>6,592,079</u>	<u>3,951,889</u>
Total assets less current liabilities		12,506,213	9,857,862
CREDITORS: amounts falling due after more than one year	11	<u>(11,992,366)</u>	<u>(9,231,122)</u>
Net assets		<u>513,847</u>	<u>626,740</u>
financed by:-			
CAPITAL AND RESERVES			
Called-up share capital	12	1,000	1,000
Capital reserve	13	441,200	441,200
Profit and loss account		<u>71,647</u>	<u>184,540</u>
Shareholders' funds		<u>513,847</u>	<u>626,740</u>

These financial statements, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the Board on 3rd January 2002 and signed on its behalf.

O. Tager, Esq.)
R. Tager, Q.C.) directors

The notes on pages 7 to 11 form part of these financial statements.

1. ACCOUNTING POLICIES

a) Convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (Effective March 2000).

b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation has been provided so as to write off the cost of the assets concerned over their anticipated useful lives at the following rates:-

Fixtures and fittings - 20% on written down value

Freehold property - nil

c) Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is reasonable probability that a liability will crystallise in the near future.

d) Consolidated financial statements

In accordance with Section 228(1) of the Companies Act 1985, consolidated financial statements are not prepared, as the company is itself a wholly-owned subsidiary of Greenquest Limited, which is also incorporated in Great Britain and which prepares consolidated financial statements.

2. TURNOVER

Turnover represents the income derived from the company's residential and commercial properties, exclusive of value added tax, where relevant.

3. OPERATING PROFIT

The operating profit for the year is stated after charging the following:-

	y.e. 31.3.2001	15.12.1998 to 31.3.2000
	£	£
Directors' remuneration	-	10,667
Auditors' remuneration	6,500	4,000
Depreciation of tangible fixed assets	3,413	1,660
	<u> </u>	<u> </u>

FAIRCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st March 2001 (continued)

	y.e. 31.3.2001	15.12.1998 to 31.3.2000
	£	£
4. INTEREST PAYABLE AND SIMILAR CHARGES		
Amount payable on bank loan and overdraft	296,345	227,275
Amount receivable from group company	(217,644)	(142,944)
Amount receivable from related company	(99,346)	(39,017)
Interest on late tax payment	<u>11,923</u>	<u>-</u>
	<u>(8,722)</u>	<u>45,314</u>
5. TAXATION		
i) The taxation charge comprises:-		
Corporation tax on profits on ordinary activities for the year at the relevant rates	Nil	362,270
	<u>Nil</u>	<u>362,270</u>
ii) Losses of £377,660 have been surrendered to the company by its subsidiary, Romeo Trading Company Limited.		
6. DIVIDEND		
A dividend of £100 per ordinary share was proposed in respect of the year (2000 - £100)	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
7. FIXED ASSETS		
Tangible	Freehold investment properties £	Fixtures and fittings £ <u>Total</u> £
Cost		
At 31.3.2000	5,887,710	18,723
Improvements during the year	<u>11,574</u>	<u>-</u>
At 31.3.2001	<u>5,899,284</u>	<u>18,723</u>
Depreciation		
At 31.3.2000	-	1,660
Charge for the year	<u>-</u>	<u>3,413</u>
At 31.3.2001	<u>-</u>	<u>5,073</u>
Net book value		
At 31.3.2001	<u>5,899,284</u>	<u>13,650</u>
At 31.3.2000	<u>5,887,710</u>	<u>17,063</u>

FAIRCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st March 2001 (continued)

8. INVESTMENT IN SUBSIDIARY

	<u>31.3.2001</u>	<u>31.3.2000</u>
	£	£
Romeo Trading Company Limited		
1,200 ordinary shares of £1 each	1,200 (100%)	1,200 (100%)
	<u> </u>	<u> </u>

9. DEBTORS

	<u>31.3.2001</u>	<u>31.3.2000</u>
	£	£
Trade debtors	14,908	1,182,808
Amounts due from group companies	3,147,139	3,749,460
Amounts due from related companies	5,042,464	4,311,633
Other debtors and payment in advance	<u>8,290</u>	<u>10,802</u>
	8,212,801	9,254,703
	<u> </u>	<u> </u>

10. CREDITORS: amounts falling due within one year

Bank loans (secured) and overdraft	776,643	4,637,635
Trade creditors	14,514	4,849
Amount due to group company	41,524	35,750
Amount due to related companies	69,262	35,696
Director's loan account	30,290	38,680
Corporation tax	362,270	362,270
Other taxes and social security	3,291	9,912
Other creditors and accruals	<u>322,928</u>	<u>217,619</u>
	1,620,722	5,342,411
	<u> </u>	<u> </u>

- a) Bank loans and overdraft outstanding at the year end amounted to £3,537,887 (2000 - £4,637,635) and include instalments due after more than five years of £1,680,300 (2000 - £0).
- b) The bank loans are secured by a first legal charge over a number of the company's freehold investment properties and by a Joint and Several Guarantee from the directors, O. Tager, Esq. and R. Tager, Q.C., limited to £100,000.

FAIRCASTLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st March 2001 (continued)

	31.3.2001	31.3.2000
	£	£
11. CREDITORS: amounts falling due after more than one year		
Bank loans	2,761,244	-
Amounts due to group companies	9,231,122	9,231,122
	11,992,366	9,231,122
12. SHARE CAPITAL		
Authorised, allotted and fully paid 1,000 ordinary shares of £1 each	1,000	1,000
13. CAPITAL RESERVE		
Reserve on acquisition of subsidiary company	441,200	441,200
14. ULTIMATE PARENT UNDERTAKING		
The ultimate holding company is Greenquest Limited, which is incorporated in Great Britain.		
15. RELATED PARTY TRANSACTIONS		
The company is related to the companies listed hereunder, owing to some common directors and shareholders.		
i) During the year the company received services on commercial terms totalling £24,499 from Pidom Export Limited.		
ii) During the year the company provided finance to Spillington Limited, for which it charged £103,873 based on the same commercial rate of interest as it is charged by its bankers.		
iii) The company provides security to Busyglen Limited, as set out in note 17.		
iv) At the balance sheet date the following interest free (with the exception of the loan in note ii) above) amounts were owed to/owed by Faircastle Limited:-		
a) net monies were due from Spillington Limited, Pidom Export Limited, Solev Co. Limited, Perma Limited, Oaklawn Limited, Busyglen Limited, Roughlea Properties Limited, Barnford Industries Limited, Leverwin Limited Millwest Estates Limited and Goodacre Limited totalling £5,042,464.		
b) net monies were owed to Hexgold Limited and Hatzlocho Limited totalling £69,262.		

16. GROUP COMPANIES

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No. 8 to exclude details of transactions with group companies.

17. CONTINGENT LIABILITY

The company has provided one of its freehold investment properties as part of the security for a mortgage for a related company, Busyglen Limited. This property is included in the financial statements at its book cost of £610,000.