

PERCHERON PROPERTIES LIMITED

(A wholly owned subsidiary of Swallow Group plc which is incorporated in England and Wales)

DIRECTORS : N T GOSSAGE (resigned 8th February 1999)
C J STOREY
W M A SHEARD
T G WALKER (appointed 9th June 1999)

SECRETARY : M I Hodgson

REGISTERED OFFICE: Swallow House
PO Box 30
Parsons Road
Washington
NE37 1QS

COMPANY NUMBER: 00407168



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30th September 1999.

Directors

T G Walker and C. J. Storey are directors of the parent company. Their interests in the shares of the parent company are disclosed in its accounts.

The other director's interests in the share capital of the parent company are shown below. The options are to purchase ordinary 10p shares at prices ranging from £2.11 to £3.21 per share granted at various dates between 1990 and 1999.

	<u>Ordinary Shares at 10p each</u>		<u>Share Options</u>	
	<u>30.09.99</u>	<u>30.09.98</u>	<u>30.09.99</u>	<u>30.09.98</u>
W. M. A. Sheard	4,595	5,537	95,312	101,961

Activities and business review

The company acts as agent for the management of property development and estates management generally within Swallow Group plc. The assets and profits relating to these activities are dealt with in its accounts.

The company has not, on its own behalf traded during the financial year, nor has it incurred liabilities and consequently has made neither a profit nor a loss.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

WASHINGTON
15TH DECEMBER 1999


C J STOREY
DIRECTOR

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BALANCE SHEET AT 30TH SEPTEMBER 1999

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
CURRENT ASSETS		
Amount due from parent company	<u>40,000</u>	<u>40,000</u>
 SHARE CAPITAL		
Equity:		
Ordinary Shares of £1 each	50,000	50,000
 Called up, allotted and fully paid:		
Ordinary Shares of £1 each	<u>40,000</u>	<u>40,000</u>

During the year the company has not traded, has not incurred any liabilities and, consequently, has neither made a profit nor loss. None of the directors received emoluments in respect of their services to the company.

The accounts were approved by the directors on 15th December 1999 and are signed on their behalf by:-



T G Walker - Director

Accounts of the parent company, Swallow Group plc, can be obtained from Swallow House,
PO Box 30, Parsons Road, Washington NE37 1QS

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by company law to ensure that accounts are prepared which give a true and fair view of the state of affairs of the company at the end of the financial year. The accounts must be prepared in accordance with applicable accounting standards. In addition, the directors are responsible for selecting suitable accounting policies, applying them consistently and for making judgements and estimates that are reasonable and prudent.

The directors are also responsible for ensuring that adequate accounting records are maintained and that systems are in place both to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF PERCHERON PROPERTIES LIMITED

We have audited the financial statements on page 2 which have been prepared under the historical cost convention.

Respective responsibilities of directors and auditors

As described above 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.

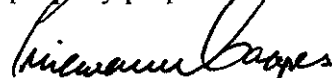
Basis of audit opinion

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 30th September 1999 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Newcastle upon Tyne
15th December 1999