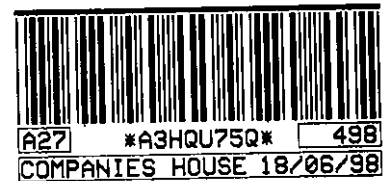


FACTORY HOLDINGS GROUP LIMITED  
DIRECTORS' REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 24 MARCH 1998

Registered Number: 598098



## FACTORY HOLDINGS GROUP LIMITED

### DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 24 March 1998.

#### BUSINESS REVIEW

The company's principal activity is property investment.

The state of the company's affairs is dealt with in the accounts.

#### POST BALANCE SHEET EVENT

On 31 March 1998 Quintain Estates and Development Plc became the company's ultimate parent undertaking.

#### DIVIDEND

No dividend is proposed (1997: £800,000).

#### DIRECTORS' RESPONSIBILITIES

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 for that period. In preparing accounts the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year and up to the date of this report were:

S A Wingate (Chairman)	(resigned 31 March 1998)
R Stringer	(resigned 31 March 1998)
B Williams	(resigned 31 March 1998)
N G Ellis	(appointed 31 March 1998)
A R Wyatt	(appointed 31 March 1998)
E S Dugdale	(appointed 31 March 1998)
N S K Shattock	(appointed 31 March 1998)

The directors had no beneficial interest in the share capital of the company.

The directors' interests in the share capital of the former ultimate parent undertaking, Estates Property Investment Company (Holdings) Limited and the present ultimate parent undertaking, Quintain Estates and Development Plc, are shown in the accounts of those companies.

FACTORY HOLDINGS GROUP LIMITED

DIRECTORS' REPORT (continued)

ELECTIVE RESOLUTION

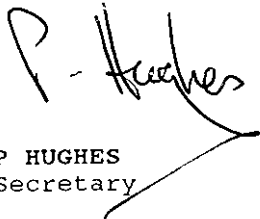
At an extraordinary general meeting of the Company, held on 11 June 1997, it was resolved, as an elective resolution in accordance with Section 379A of the Companies Act 1985 ("the Act"), that the Company elects:

- pursuant to Section 252 of the Act, to dispense with the laying of accounts and reports before the Company in general meeting;
- pursuant to Section 366A of the Act, to dispense with the holding of annual general meetings; and
- pursuant to Section 386 of the Act, to dispense with the obligation to appoint auditors annually.

AUDITORS

In accordance with S385 of the Companies Act 1985, a board resolution was passed on 31 March 1998 whereby KPMG Audit Plc were appointed as the company's auditors, jointly with Goodman Jones. A resolution for the reappointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming annual general meeting.

By order of the board

  
P HUGHES  
Secretary

58 Davies Street  
London W1Y 1LB

15 June 1998

REPORT OF THE JOINT AUDITORS, GOODMAN JONES AND KPMG AUDIT PLC,  
TO THE MEMBERS OF  
FACTORY HOLDINGS GROUP LIMITED

We have audited the accounts on pages 4 to 7 which have been prepared in accordance with the accounting policies set out in note 1 to the accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those 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 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 24 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
GOODMAN JONES  
Registered Auditors  
Chartered Accountants

29/30 Fitzroy Square  
London W1P 6LQ

15 June 1998

*KPMG Audit Plc*  
—  
KPMG Audit Plc  
Chartered Accountants  
and Registered Auditor

8 Salisbury Square  
London EC4Y 8BB

15 June 1998

**FACTORY HOLDINGS GROUP LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 24 MARCH 1998**

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
Gross rents receivable		296	11,425
Property expenses		-	(2,247)
		-----	-----
		296	9,178
Administration expenses		(7,641)	(1,193)
Surplus on disposal of properties	2	4,750	979
Interest receivable	3	-	2,096
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(2,595)	11,060
Tax credit on (loss)/profit on ordinary activities	5	99,549	8,313
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		96,954	19,373
Dividend payable		-	(800,000)
		-----	-----
Retained profit/(loss) for the year		96,954	(780,627)
Retained profit brought forward		199,521	980,148
		-----	-----
RETAINED PROFIT CARRIED FORWARD		296,475	199,521
		=====	=====

There were no recognised gains or losses other than those shown above.

The results all arise from continuing operations.

The historical cost profits and losses were not materially different from those shown above.

The notes on pages 6 and 7 form part of these accounts.

FACTORY HOLDINGS GROUP LIMITED

BALANCE SHEET AT 24 MARCH 1998

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
FIXED ASSETS			
Investment property	6	-	-
		-----	-----
		-	-
CURRENT ASSETS			
Debtors	7	318,938	1,038,635
CREDITORS: AMOUNTS DUE WITHIN ONE YEAR	8	(22,363)	(839,014)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		296,575	199,621
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account		296,475	199,521
		-----	-----
SHAREHOLDERS' FUNDS	10	296,575	199,621
		=====	=====

These accounts were approved by the board of directors  
on 15 June 1998 and were signed on its behalf by

A R Wyatt

}

Directors

N S K Shattock

}

The notes on pages 6 and 7 form part of these accounts.

# FACTORY HOLDINGS GROUP LIMITED

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### Cash flow statement

As the cash flow statement included in the consolidated accounts of the ultimate parent undertaking complies with the conditions of Financial Reporting Standard No 1 "Cash Flow Statements", the company is exempt from the requirement to prepare a cash flow statement.

#### Related party transactions

As the company is a wholly owned subsidiary of Estates Property Investment Company (Holdings) Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

### 2. SURPLUS ON DISPOSAL OF PROPERTIES

	<u>1998</u>	<u>1997</u>
	£	£
Proceeds from disposals	4,750	-
Disposal expenses	-	979
	-----	-----
	4,750	979
	=====	=====

### 3. INTEREST RECEIVABLE

	£	£
Interest on compensation for compulsory purchase of freehold land	-	2,096
	=====	=====

### 4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Directors' emoluments, auditors remuneration, wages and salaries have been borne by Estates Property Investment Company Limited.

### 5. TAX CREDIT ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	£	£
Corporation tax based on profits for the year at 31% (1997: 33%)	-	14,134
Prior year adjustments	(99,549)	(22,447)
	-----	-----
	(99,549)	(8,313)
	=====	=====

### 6. INVESTMENT PROPERTY

The company owns freehold ground rents the value of which is not material.

# FACTORY HOLDINGS GROUP LIMITED

## NOTES TO THE ACCOUNTS

### 7. DEBTORS

	<u>1998</u>	<u>1997</u>
	£	£
Rents receivable	-	10,962
Estates Property Investment Company Limited	217,686	1,027,673
Corporation tax	101,252	-
	-----	-----
	318,938	1,038,635
	=====	=====

The amount owing by Estates Property Investment Company Limited is interest free and there are no fixed repayment terms.

### 8. CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

	£	£
Sundry creditors	-	45
Corporation tax	-	22,000
Accruals	8,229	2,835
Dividend payable	-	800,000
Group relief payment due	14,134	14,134
	-----	-----
	22,363	839,014
	=====	=====

### 9. SHARE CAPITAL

	£	£
Authorised, allotted, called up and fully paid:		
100 Ordinary shares of £1 each	100	100
	===	===

### 10. SHAREHOLDERS' FUNDS

	£	£
Total recognised gains	96,954	19,373
Dividend payable	-	(800,000)
	-----	-----
Net change in shareholders' funds	96,954	(780,627)
Opening shareholders' funds	199,621	980,248
	-----	-----
Closing shareholders' funds	296,575	199,621
	=====	=====

### 11. PARENT UNDERTAKINGS

The results of the company are included in the consolidated accounts of Estates Property Investment Company Limited, its immediate parent undertaking and Estates Property Investment Company (Holdings) Limited, its ultimate parent undertaking until 31 March 1998. On that date, Quintain Estates and Development Plc became the ultimate parent undertaking. These companies are registered in England. Copies of their accounts can be obtained from 58 Davies Street, London W1Y 1LB.