

FACTORY HOLDINGS GROUP LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 24 MARCH 1997

Registered Number: 598098

Ref: 18



FACTORY HOLDINGS GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 24 March 1997.

BUSINESS REVIEW

The company's principal activity is property investment.

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

DIVIDEND

A dividend of £800,000 is recommended (1996: £3,000,000).

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; 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 to date were:

S A Wingate (Chairman)
C N Jones (resigned 30 April 1997)
R Stringer
B Williams

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

The directors' interests in the share capital of the ultimate parent undertaking, Estates Property Investment Company (Holdings) Limited, are shown in the accounts of that company.

FACTORY HOLDINGS GROUP LIMITED

DIRECTORS' REPORT (continued)

ELECTIVE RESOLUTION

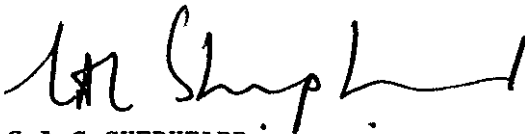
At an extraordinary general meeting of the Company, held on 11 June 1997, it was resolved, as an elective resolution in accordance with Section 379A of the Companies Act 1985 ("the Act"), that the Company elects:

- 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

Following the passing of the Elective Resolution referred to above, the appointment of Goodman Jones as the Company's auditors will continue.

By order of the board



G A G SHEPHEARD
Secretary

10 Grosvenor Gardens
London SW1W 0DQ

26 September 1997

REPORT OF THE AUDITORS, GOODMAN JONES, TO THE MEMBERS OF
FACTORY HOLDINGS GROUP LIMITED

We have audited the accounts on pages 4 to 8 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 at 24 March 1997 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

26 September 1997

FACTORY HOLDINGS GROUP LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 24 MARCH 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Gross rents receivable		11,425	390,084
Property expenses		(2,247)	-
Group management charge		-	(160,000)
		-----	-----
		9,178	230,084
Administration expenses		(1,193)	(9,987)
Surplus on disposal of properties	2	979	63,835
Interest receivable	3	2,096	101,862
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	11,060	385,794
Tax on profit on ordinary activities	5	8,313	131,796
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		19,373	517,590
Dividend payable		(800,000)	(3,000,000)
		-----	-----
Retained (loss) for the year		(780,627)	(2,482,410)
Retained profit brought forward		980,148	775,606
Realisation of revaluation reserve on disposal of properties	10	-	2,686,952
		-----	-----
RETAINED PROFIT CARRIED FORWARD		199,521	980,148
		=====	=====

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

The results all arise from continuing operations.

The notes on pages 7 and 8 form part of these accounts.

FACTORY HOLDINGS GROUP LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
(100% equity interests)

FOR THE YEAR ENDED 24 MARCH 1997

	<u>1997</u> £	<u>1996</u> £
Total recognised gains	19,373	517,590
Dividend payable	(800,000)	(3,000,000)
	-----	-----
Net change in shareholders' funds	(780,627)	(2,482,410)
Opening shareholders' funds	980,248	3,462,658
	-----	-----
Closing shareholders' funds	199,621	980,248
	=====	=====

NOTE OF HISTORICAL PROFITS AND LOSSES

FOR THE YEAR ENDED 24 MARCH 1997

Profit on ordinary activities before taxation	11,060	385,794
Realisation of surplus on revaluations of properties in prior years	-	2,686,952
	-----	-----
Historical cost profit on ordinary activities before taxation	11,060	3,072,746
	=====	=====
Historical (loss)/profit retained for the year after taxation and dividends	(780,627)	204,542
	=====	=====

FACTORY HOLDINGS GROUP LIMITED

BALANCE SHEET AT 24 MARCH 1997

	<u>Notes</u>	£	<u>1997</u> £	<u>1996</u> £
FIXED ASSETS				
Investment property	6		-	-
CURRENT ASSETS				
Debtors	7	1,038,635		4,099,286
Cash at bank		-		90
		-----		-----
		1,038,635		4,099,376
CREDITORS: AMOUNTS DUE WITHIN ONE YEAR	8	(839,014)		(3,119,128)
		-----		-----
NET CURRENT ASSETS			199,621	980,248
			-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES			199,621	980,248
			=====	=====
CAPITAL AND RESERVES				
Called up share capital	9		100	100
Asset revaluation reserve	10		-	-
Profit and loss account			199,521	980,148
			-----	-----
SHAREHOLDERS' FUNDS			199,621	980,248
			=====	=====

These accounts were approved by the board of directors on 26 September 1997 and were signed on its behalf by

S A Wingate }

}

Directors

R Stringer }

The notes on pages 7 and 8 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 as modified for the revaluation of properties 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.

Taxation

The charge for taxation is based on the profit for the year. Provision is made for deferred taxation to the extent that it is probable that an actual liability will crystallise.

2. SURPLUS ON DISPOSAL OF PROPERTIES

	<u>1997</u> £	<u>1996</u> £
Proceeds from disposals	-	5,566,486
Disposal expenses	979	(2,651)
Book value of property	-	(5,500,000)
	-----	-----
	979	63,835
	=====	=====

3. INTEREST RECEIVABLE

	£	£
Interest on compensation for compulsory purchase of freehold land	2,096	101,862
	=====	=====

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	£	£
Corporation tax based on profits for the year at 33% (1996: 33%)	14,134	67,938
Prior year adjustments	(22,447)	(199,734)
	-----	-----
	(8,313)	131,796
	=====	=====

6. INVESTMENT PROPERTY

	£	£
<u>Freehold</u>		
Valuation at 25 March 1996	-	5,500,000
Transfer to parent undertaking	-	(5,500,000)
	-----	-----
Valuation at 24 March 1997	-	-
	=====	=====

FACTORY HOLDINGS GROUP LIMITED

NOTES TO THE ACCOUNTS

7. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Rents receivable	10,962	1,263
Compensation (including interest) due on compulsory purchase	-	464,187
Estates Property Investment Company Limited	1,027,673	3,633,836
	<u>1,038,635</u>	<u>4,099,286</u>
	=====	=====

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	45
Corporation tax	22,000	40,000
Accruals	2,835	11,145
Dividend payable	800,000	3,000,000
Group relief payment due	14,134	67,938
	<u>839,014</u>	<u>3,119,128</u>
	=====	=====

9. SHARE CAPITAL

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

10. ASSET REVALUATION RESERVE

	£	£
At 24 March 1996	-	2,686,952
Realised on disposal of properties	-	(2,686,952)
	<u>-----</u>	<u>-----</u>
At 24 March 1997	-	-
	=====	=====

11. PARENT UNDERTAKINGS

The results of the company are included in the consolidated accounts of Estates Property Investment Company (Holdings) Limited, its ultimate parent undertaking, and Estates Property Investment Company Limited, its immediate parent undertaking, companies registered in England. Copies of their accounts can be obtained from 10 Grosvenor Gardens, London SW1W 0DQ.