

LOVE LANE INVESTMENTS LIMITED

Accounts 31 December 1998

together with directors' and auditors' reports

Company number: 806646



LOVE LANE INVESTMENTS LIMITED

CONTENTS

	Page
Company Information	1
Report of the Directors	2-3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7-12

LOVE LANE INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	Mr Jamie Borwick Miss J A Craymer Mr J Pawsey
Secretary	W H Stentiford & Co Limited
Registered Office	1 Love Lane London EC2V 7JJ
Registered Number	806646
Auditors	Farringdon & Co 176 Franciscan Road London SW17 8HH
Bankers	Midland Bank P O Box 648 27-32 Poultry London EC2P 2BX

LOVE LANE INVESTMENTS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1998

Financial Statements

The directors present their report and financial statements for the year ended 31 December 1998.

Directors Responsibilities

Company law requires the directors to prepare the financial statements for each year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that year. 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;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

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 Activities & Results

The principal activities of the Company are property and investment holding. The results for the year are as follows:

	£
Profit for the year before taxation	107,477
Taxation	<u>29,050</u>
Retained profit for the year	78,427
Deficit brought forward	<u>1,028,256</u>
Deficit carried forward	<u>949,829</u>

The directors consider the results to be satisfactory and look forward to the future with confidence

LOVE LANE INVESTMENTS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

Dividend

No dividend is recommended.

Directors

The directors of the company during the year were:

G R J Borwick
Miss J A Craymer
J Pawsey

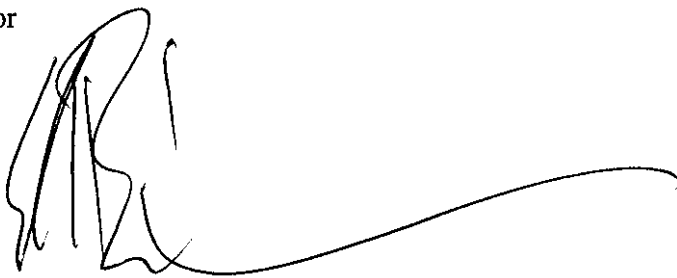
None of the directors had any interest in the shares of the Company.

Auditors

During the year Farrington & Co were appointed auditors to the company.
In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Farrington & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 26 October 1999.

Mr G R J Borwick
Director

A handwritten signature in black ink, appearing to be 'GRJ', followed by a long, sweeping horizontal line that extends to the right.

Auditors' report

To the shareholders of Love Lane Investments Limited

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention (as modified to include the revaluation of fixed asset investments) and on the basis of 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 the 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.

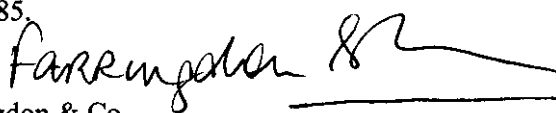
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. However, the evidence available to us was limited because of the absence of a valuation of the property mentioned below.

Statement of Standard Accounting Practice 19 requires that investment properties are included in the balance sheet at their open market value. However the company's investment property is included in the balance sheet at £3,649,029 being the cost less accumulated depreciation, which the directors consider to be the fair estimate of its value. In the absence of an open market valuation we are unable to determine whether there is any material difference between the book value and such a valuation.

Opinion: disclaimer of view given by financial statements

Because of the possible effect of the limitation of evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

27 October 1999


Farrington & Co
Chartered Certified Accountants & Registered Auditors
176 Franciscan Road
London SW17 8HH

LOVE LANE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £	1997 £
Rent Receivable		470,330	410,040
Administrative Expenses		(1,062,094)	(194,657)
Depreciation		(137,700)	(137,700)
Other Operating Income		800,000	--
Operating Profit	2	<u>70,536</u>	<u>77,683</u>
Income from other fixed asset investments		145,248	131,415
Interest receivable and similar income	3	4,518	4,079
Interest payable	3	(112,825)	(120,625)
Profit on ordinary activities before taxation		<u>107,477</u>	<u>92,552</u>
Tax on profit on ordinary activities	4	(29,050)	(47,620)
Profit / (loss) for the financial year		<u>78,427</u>	<u>44,932</u>
Retained loss brought forward		(1,028,256)	(1,073,188)
Retained loss carried forward		<u>(949,829)</u>	<u>(1,028,256)</u>

All income is derived from continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 1998

	1998 £	1997 £
Profit /(loss) for the financial year	78,427	44,932
Unrealised deficit on revaluation of listed investments	(3,031,461)	(237,930)
Total recognised (losses) / gains relating to the year	<u>(2,953,034)</u>	<u>(192,998)</u>

The accompanying notes on pages 7 to 12 form an integral part of these financial statements.

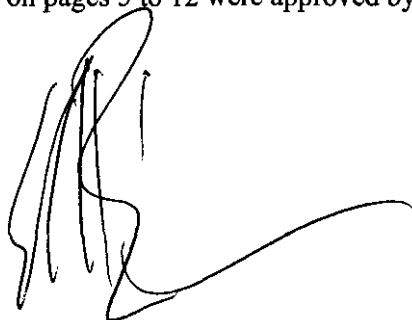
LOVE LANE INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	1998 £	1997 £
Fixed Assets			
Tangible assets	5	3,649,029	3,786,729
Investments	6	2,172,540	5,058,401
		<u>5,821,569</u>	<u>8,845,130</u>
Current Assets			
Debtors	7	56,245	99,621
Investments	15	--	1,100,000
Cash at bank and in hand		278,173	--
		<u>334,418</u>	<u>1,199,621</u>
Creditors :Amounts falling due within one year	8	(5,265,387)	(6,201,117)
Net current liabilities		<u>(4,930,969)</u>	<u>(5,001,496)</u>
Total assets less current liabilities		<u>890,600</u>	<u>3,843,634</u>
Net Assets		<u>890,600</u>	<u>3,843,634</u>
Capital and Reserves			
Called up share capital	10	6,250	6,250
Share premium account		16,244	16,244
Revaluation Reserve	11	1,817,935	4,849,396
Profit and Loss Account		(949,829)	(1,028,256)
Equity Shareholders' funds	12	<u>890,600</u>	<u>3,843,634</u>

The accompanying notes on pages 7 to 12 form an integral part of these financial statements.
The financial statements on pages 5 to 12 were approved by the board on 26 October 1999.

Mr G R J Borwick
Director



LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

1. Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified to include listed investments at market value, and in accordance with all applicable accounting standards, except that the investment property has not been included at its open market value as per SSAP 19.

Advantage has been taken of Section 248(1) Companies Act 1985 not to prepare group accounts.

(b) Investment Property

The company's investment property comprises of a leasehold interest expiring in the year 2025. In the opinion of the directors this is a short leasehold and accordingly depreciation is provided, in accordance with SSAP 12, to write off the cost on a straight line basis over the unexpired term. The investment property is included in the financial statements at its cost less accumulated depreciation since, in the opinion of the directors, open market value is not a fair estimate of the worth of the property.

(c) Fixtures & Fittings

Depreciation is provided at 25% on straight line basis.

(d) Investments

Listed investments held as fixed assets are stated at market value, based upon the price quoted in the London Stock Exchange as at 31 December.

Unlisted investments held as fixed assets are stated at cost except where, in the opinion of the directors, there has been permanent diminution in value.

(e) Deferred Taxation

Provision is made for deferred taxation to the extent that liabilities may become payable within the foreseeable future.

2. Operating Profit is stated after charging:

	1998 £	1997 £
Auditors' remuneration: audit services	1,500	2,250
: non audit services	1,250	--
Depreciation	137,700	137,700
and after crediting:		
Income from listed investments	145,248	131,415
Net property income	470,330	410,040
Profit on disposal of investments (note 15)	800,000	--

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

3. Interest

	1998 £	1997 £
Receivable		
Bank		
Other	4,518	4,079
	<hr/> 4,518	<hr/> 4,079
Payable		
Bank Loans and Overdraft	112,825	120,625
Other Loans	--	--
	<hr/> 112,825	<hr/> 120,625

All loans and overdrafts are wholly repayable within five years.

4. Taxation

	1998 £	1997 £
UK Corporation tax		
Tax on franked investment income	29,050	26,283
Prior year adjustments:		
- S242 claim		21,866
- other		(529)
Taxation Charge	<hr/> 29,050	<hr/> 47,620

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

5. Tangible Fixed Assets

	Investment Property £	Fixtures and Fittings £	Total £
Cost			
At 1 January 1998	4,898,425	5,630	4,904,055
Additions during the year	-	-	-
At 31 December 1998	<u>4,898,425</u>	<u>5,630</u>	<u>4,904,055</u>
Depreciation			
At 1 January 1998	1,111,696	5,630	1,117,326
Charge for the year	137,700	-	137,700
At 31 December 1998	<u>1,249,396</u>	<u>5,630</u>	<u>1,255,026</u>
Net Book Value			
At 31 December 1998	<u>3,649,029</u>	<u>-</u>	<u>3,649,029</u>
At 31 December 1997	<u>3,786,729</u>	<u>-</u>	<u>3,786,729</u>

6. Fixed Asset Investments

	Listed Investments £	Unlisted Investments £	Total £
Cost or net book value			
1 January 1998	5,057,399	1,002	5,058,401
Additions	145,600		145,600
Revaluation(see note 11)	(3,031,461)	-	(3,031,461)
31 December 1998	<u>2,171,538</u>	<u>1,002</u>	<u>2,172,540</u>

Listed investments are stated at their market value, based upon the price quoted on the London Stock Exchange at 31 December. The historic cost of the investments is £353,603 (1997 £208,003).

Unlisted investment represented at a cost of £1000, 10% of the issued ordinary shares of Ranelagh Limited, a company registered in England & Wales. Ranelagh Limited and its entire issued share capital was acquired by The Corporate Services Group PLC on 18 October 1996. The initial consideration paid for the above 10% holding was £4 in cash and £39,996 of Floating Rate Convertible Unsecured Loan Notes 1996-1999 of The Corporate Services Group PLC.

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

6. Fixed Asset Investments (continued)

The balance of unlisted investments of £2 represents 100% of the issued shares in Runnymede Lane Ltd and Croucher & Croucher (Cheam) Ltd at a cost of £1 each. Both companies are wholly owned subsidiaries of Love Lane Investments Ltd and both companies are registered in England & Wales.

Croucher & Croucher (Cheam) Ltd remained dormant throughout the year and as at 31 December 1998 had an issued share capital of £1 and no other reserves.

The business of Runnymede Lane Ltd is that of providing management and advisory services. It commenced trading on 6 November 1997 and its first financial statements cover the period to 31 December 1998. It made a profit after tax of £1,873 for this period and as at 31 December 1998 it had an issued share capital of £1 and reserves of £1,873.

7. Debtors

	1998	1997
	£	£
Trade debtors and prepayments	53,136	30,858
Amounts owed by subsidiary undertaking	1,562	1,565
Other Debtors	--	66,399
Corporation tax recoverable	1,547	799
	<hr/> 56,245	<hr/> 99,621

8. Creditors: Amounts falling due within one year

Bank Overdraft	--	84,218
Bank Loan (See note 9)	1,502,037	1,502,037
Amount owed to parent undertaking	3,500,000	3,475,000
Other Creditors	54,040	906,172
Accrued interest	137,047	139,047
Other accruals and deferred income	72,263	94,643
	<hr/> 5,265,387	<hr/> 6,201,117

9. Loans

Maturity -Bank Loans

Aggregate amounts repayable:

Within one year	1,502,037	1,502,037
Between one and two years	-	-
Between two and five years	-	-
	<hr/> 1,502,037	<hr/> 1,502,037

Note: The bank loans are secured by a fixed charge over the assets of the company.

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

10. Called up Share Capital

	1998	1997
	£	£
Authorised, allotted and fully paid		
6,250 ordinary shares of £1 each	6,250	6,250
	<hr/>	<hr/>

11. Revaluation Reserve

	£
1 January 1998	4,849,396
Movements for the year (See note 6)	(3,031,461)
At 31 December 1998	<hr/> 1,817,935 <hr/>

The liability to corporation tax that would arise if the listed investments were to be disposed of at their revalued amount has not been provided for as there is no intention to sell the investments and realise the investment gain.

12. Reconciliation of movements in shareholder's funds

	£
1 January 1998	3,843,634
Profit for the year	78,427
Movement on revaluation reserve for the year (see note 11)	(3,031,461)
	<hr/> 890,600 <hr/>

13. Particulars of employees

	1998	1997
	Number	Number
The average number of persons (including directors) employed by the company during the year was as follows:		
Management	<hr/> 3 <hr/>	<hr/> 3 <hr/>
The aggregate payroll costs of these persons were as follows:		
Wages and Salaries	840,000	33,308
Social security costs	84,000	3,312
	<hr/> 924,000 <hr/>	<hr/> 36,620 <hr/>

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

14. Directors' emoluments

Total directors' emoluments for the year amounted to £846,250 (1997: £30,000).
The emoluments (excluding pension contributions and social security costs) of the chairman and highest paid director were £825,000 (1997: £25,000)

15. Related Party Disclosure

During the current year the company advanced £1,380,000 under a Term Loan Facility to Bramerton Developments Ltd, a company registered in England & Wales, for the purchase and development of a freehold property. This facility includes a profit participation on redevelopment.

On 9 March 1998 the company sold its interests in the above Term Loan Facility and also the interest in the Term Loan Facility to Halvergate Developments Limited (which the company acquired in the previous year for £1,100,000) to City & West End Property Investments S.A.R.L, a company incorporated in Luxembourg, for the total sum of £3,280,000. A profit of £800,000 was realised on this transaction.

Halvergate Developments Ltd and Bramerton Developments Ltd are both subsidiaries of City and West End Developments Ltd, a company incorporated in England & Wales, in which Rutland Investments Ltd held 50 % of the issued Ordinary Share Capital until 9 March 1998 when this holding was disposed off to City & West End Property Holdings SA.

16. Ultimate Parent Undertaking

The ultimate parent undertaking is regarded by the directors as being Rutland Investments Limited, incorporated in the Bahamas.