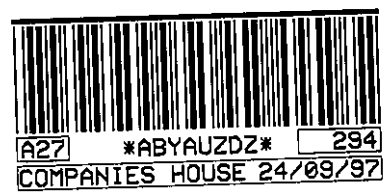


LOVE LANE INVESTMENTS LIMITED

Accounts 31 December 1996

together with directors' and auditors' reports

Company number : 806646



LOVE LANE INVESTMENTS LIMITED

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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	Binder Hamlyn 20 Old Bailey London EC4M 7BH
Bankers	Rea Brothers Limited London Branch Aldermans House Aldermans Walk London EC2M 3XR

LOVE LANE INVESTMENTS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1996

Financial Statements

The directors present their report and financial statements for the year ended 31 December 1996.

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

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	76,416
Taxation	--
Retained profit for the year	76,416
Deficit brought forward	<u>1,149,604</u>
Deficit carried forward	<u>1,073,188</u>

LOVE LANE INVESTMENTS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

Dividend

No dividend is recommended.

Directors

The directors of the company during the year were:

GRJ Borwick
Miss J A Craymer
J Sayeed (Resigned 31 October 1996)
J Pawsey (Appointed 31 October 1996)

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

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 16 September 1997

Mr G R J Borwick
Director

A handwritten signature in black ink, appearing to be 'GRJ', followed by a long horizontal flourish.

Auditors' report

To the shareholders of Love Lane Investments Limited

We have audited the financial statements on pages 5 to 13 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 8

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 £3,924,429 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 1996 and of its profit and cash flows 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.


Binder Hamlyn
Chartered Accountants & Registered Auditors
20 Old Bailey - London EC4M 7BH

17 September 1997

LOVE LANE INVESTMENTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996**

	Notes	1996 £	1995 £
Rent Receivable		416,348	404,773
Administrative Expenses		(144,427)	(121,586)
Depreciation		(137,700)	(137,700)
Operating Profit		<u>134,221</u>	<u>145,487</u>
Income from other fixed asset investments		109,332	77,210
Interest receivable and similar income	2	21	-
Interest payable	2	(167,158)	(338,325)
Profit / (loss) on ordinary activities before taxation	3	<u>76,416</u>	<u>(115,628)</u>
Tax on profit on ordinary activities	4		
Profit / (Loss) for the financial year		<u>76,416</u>	<u>(115,628)</u>
Retained loss brought forward		(1,149,604)	(1,033,976)
Retained loss carried forward		<u>(1,073,188)</u>	<u>(1,149,604)</u>

All income is derived from continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 1996

	1996 £	1995 £
Profit /(Loss) for the financial year	76,416	(115,628)
Unrealised surplus on revaluation of listed investments	2,683,630	1,095,586
Total recognised gains and losses relating to the year	<u>2,760,046</u>	<u>979,958</u>

The accompanying notes on pages 8 to 13 form an integral part of these financial statements.

LOVE LANE INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	Notes	1996 £	1995 £
Fixed Assets			
Tangible assets	5	3,924,429	4,062,129
Investments	6	5,296,329	2,612,699
		<u>9,220,758</u>	<u>6,674,828</u>
Current Assets			
Debtors	7	122,863	90,994
Cash at bank and in hand		-	288,794
		<u>122,863</u>	<u>379,788</u>
Creditors :Amounts falling due within one year	8	(5,306,989)	(5,778,030)
Net current liabilities		<u>(5,184,126)</u>	<u>(5,398,242)</u>
Total assets less current liabilities		<u>4,036,632</u>	<u>1,276,586</u>
Creditors :Amounts falling due after more than one year	9	-	-
Net Assets		<u>4,036,632</u>	<u>1,276,586</u>
Capital and Reserves			
Called up share capital	11	6,250	6,250
Share premium account		16,244	16,244
Revaluation Reserve	12	5,087,326	2,403,696
Profit and Loss Account		(1,073,188)	(1,149,604)
Equity Shareholders' funds		<u>4,036,632</u>	<u>1,276,586</u>

The accompanying notes on pages 8 to 13 form an integral part of these financial statements.

The financial statements on pages 5 to 13 were approved by the board on 16 September 1997

Mr G R J Borwick
Director



LOVE LANE INVESTMENTS LIMITED

Cash flow statements
for the year ended 31 December 1996

	Notes	1996 £	1995 £
Net cash inflow from operating activities	16	235,950	384,339
Returns on investments and servicing of finance			
Investment income		109,332	77,210
Interest received		21	-
Interest paid		(348,262)	(313,868)
Net cash outflow from returns on investments and servicing of finance		(238,909)	(236,658)
Taxation			
UK Corporation tax recovered / (paid)		(8,683)	34,923
Investment activities			
Purchase of tangible fixed assets		-	-
Purchase of fixed assets investments		-	-
Net cash outflow from investing activities		-	-
Financing			
Increase in loans during the year		2,500,000	-
Repayment of amounts borrowed		(2,888,130)	-
Increase in cash and cash equivalents	18	(399,772)	182,604

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

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.

(b) Investment Property

The company's investment property comprises 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. Interest

	1996 £	1995 £
Receivable		
Bank		
Other	21	-
	<hr/> 21	<hr/> -
Payable		
Bank Loans and Overdraft	151,286	315,426
Other Loans	15,872	22,899
	<hr/> 167,158	<hr/> 338,325

All loans and overdrafts are wholly repayable within five years.

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

3. Operating Profit / (1995 Loss) is stated after charging:

	1996	1995 £
Auditors' remuneration: audit services	2,600	3,500
: non audit services	7,050	-
Depreciation	137,700	137,700
	<hr/>	<hr/>
and after crediting:		
Income from listed investments	96,832	69,210
Net property income	416,348	404,773
	<hr/>	<hr/>

4. Taxation

	1996	1995 £
UK Corporation tax		
Tax on franked investment income	21,866	15,433
Current year S242 claim	(21,866)	(15,433)
Prior year adjustments:		
- S242 claim		
- other		
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/>	<hr/>

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

5. Tangible Fixed Assets

	Investment Property £	Fixtures and Fittings £	Total £
Cost			
At 1 January 1996	4,898,425	5,630	4,904,055
Additions during the year	-	-	-
At 31 December 1996	<u>4,898,425</u>	<u>5,630</u>	<u>4,904,055</u>
Depreciation			
At 1 January 1996	836,296	5,630	841,926
Charge for the year	137,700	-	137,700
At 31 December 1996	<u>973,996</u>	<u>5,630</u>	<u>943,626</u>
Net Book Value			
At 31 December 1996	<u>3,924,429</u>	<u>-</u>	<u>3,924,429</u>
At 31 December 1995	<u>4,062,129</u>	<u>-</u>	<u>4,062,129</u>

6. Fixed asset investment

	Listed Investments £	Unlisted Investments £	Total £
Cost and net book value			
1 January 1996	2,611,699	1,000	2,612,699
Additions			
Revaluation(see note 12)	2,683,630	-	2,683,630
31 December 1996	<u>5,295,329</u>	<u>1,000</u>	<u>5,296,329</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 £208,003(1995 £208,003).

The unlisted investment represented 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 1996 (continued)

7. Debtors

	1996	1995
	£	£
Trade debtors and prepayments	36,123	29,536
Other Debtors	49,800	33,200
Corporation tax recoverable	36,940	28,258
	<u>122,863</u>	<u>90,994</u>

8. Creditors: Amounts falling due within one year

Bank Overdraft	110,978	-
Bank Loan (See note 10)	1,502,037	3,902,037
Other loan	-	488,130
Amount owed to parent undertaking	3,450,000	950,000
Other Creditors	56,218	54,378
Accrued interest	137,547	318,652
Other accruals and deferred income	50,209	64,833
	<u>5,306,989</u>	<u>5,778,030</u>

9. Creditors: Amounts falling due after more than one year

Bank Loan (see note 10)	-	-
	<u>-</u>	<u>-</u>

10. Loans

Maturity

Bank Loans		
Aggregate amounts repayable:		
Within one year	1,502,037	3,902,037
Between one and two years	-	-
Between two and five years	-	-
	<u>1,502,037</u>	<u>3,902,037</u>

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 1996 (continued)

11. Called up Share Capital

	1996	1995
	£	£
Authorised, allotted and fully paid		
6,250 ordinary shares of £1 each	6,250	6,250
	<hr/>	<hr/>

12. Revaluation Reserve

	£
1 January 1996	2,403,696
Movements for the year (See note 6)	2,683,630
	<hr/>
	5,087,326
	<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.

13. Reconciliation's of movements in shareholder's funds

	£
1 January 1996	1,276,586
Profit for the year	76,416
Movement on revaluation reserve for the year(see note 12)	2,683,630
	<hr/>
	4,036,632
	<hr/>

14. Particulars of employees

	1996	1995
	Number	Number
The average number of persons(including directors) employed by the company during the year was as follows:		
Management	<hr/> 3	<hr/> 3
The aggregate payroll costs of these persons were as follows:		
Wages and Salaries	-	25,000
Social security costs	-	2,550
	<hr/>	<hr/>
	-	27,550
	<hr/>	<hr/>

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

15. Directors' emoluments

Total directors' emoluments for the year amounted to £1,250 (1995 : £25,000).
The emoluments (excluding pension contributions and social security costs) of the chairman and highest paid director were £ Nil (1995: £25,000). Only one other director received fees of £1,250 during the year(1995: £Nil).

**16. Reconciliation of operating profit to net cash
inflow from operating activities**

	1996	1995
	£	£
Operating profit	134,221	145,487
Depreciation	137,700	137,700
Decrease /(Increase) in debtors	(23,187)	19,714
Increase /(Decrease) in creditors (excluding interest)	(12,784)	81,438
Net cash inflow from operating activities	<u>235,950</u>	<u>384,339</u>

17. Analysis of changes in financing during the year

	Share Capital £	Loans £
1 January 1996	22,494	5,340,167
Decrease in loans during the year		388,130
	<u>22,494</u>	<u>4,952,037</u>

18. Cash and Cash equivalent

	£	£
Balance of cash and cash equivalents		
Cash at bank and in hand	-	288,794
Bank Overdraft	(110,978)	-
Change in the balance of cash and cash equivalents		
1 January	288,794	106,190
Net cash inflow during the year	-	182,604
Net cash outflow during the year	(399,772)	
31 December	<u>(110,978)</u>	<u>288,794</u>

20. Ultimate Parent Undertaking

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