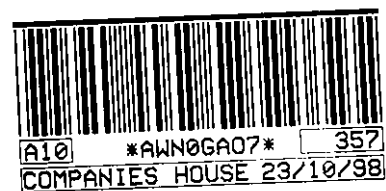


LOVE LANE INVESTMENTS LIMITED

Accounts 31 December 1997

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 1997

Financial Statements

The directors present their report and financial statements for the year ended 31 December 1997.

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	92,552
Taxation	<u>(47,620)</u>
Retained profit for the year	44,932
Deficit brought forward	<u>1,073,188</u>
Deficit carried forward	<u>1,028,256</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 1997 (continued)

Political Donation

A donation of £4,900 (1996 - Nil) was made to the Conservative Party.

Dividend

No dividend is recommended (1996 : Nil).

Directors

The directors of the company during the year were:

GRJ Borwick
Miss J A Craymer
J Pawsey

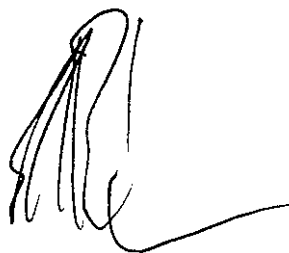
None of the directors had any interest in the shares of the Company.

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 19 October 1998.

Mr G R J Borwick
Director

A handwritten signature in black ink, appearing to be 'GRJ', with a long horizontal line extending to the right.

Auditors' report

To the shareholders of Love Lane Investments Limited

We have audited the financial statements on pages 5 to 14 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

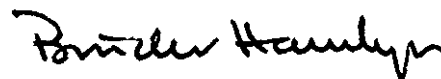
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 £3,786,729 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 1997 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

4 22 October 1998

LOVE LANE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £	1996 £
Rent Receivable		410,040	416,348
Administrative Expenses		(194,657)	(144,427)
Depreciation		(137,700)	(137,700)
Operating Profit		<u>77,683</u>	<u>134,221</u>
Income from other fixed asset investments		131,415	109,332
Interest receivable and similar income	2	4,079	21
Interest payable	2	(120,625)	(167,158)
Profit / (loss) on ordinary activities before taxation	3	<u>92,552</u>	<u>76,416</u>
Tax on profit on ordinary activities	4	(47,620)	-
Profit / (Loss) for the financial year		<u>44,932</u>	<u>76,416</u>
Retained loss brought forward		(1,073,188)	(1,149,604)
Retained loss carried forward		<u>(1,028,256)</u>	<u>(1,073,188)</u>

All income is derived from continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 1997

	1997 £	1996 £
Profit for the financial year	44,932	76,416
Unrealised surplus on revaluation of listed investments	(237,930)	2,683,630
Total recognised (losses) / gains relating to the year	<u>(192,998)</u>	<u>2,760,046</u>

The accompanying notes on pages 8 to 14 form an integral part of these financial statements.

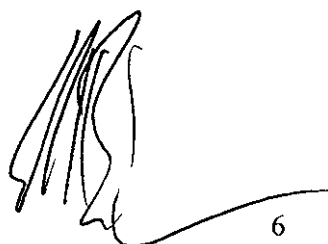
LOVE LANE INVESTMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	1997 £	1996 £
Fixed Assets			
Tangible assets	5	3,786,729	3,924,429
Investments	6	5,058,401	5,296,329
		<u>8,845,130</u>	<u>9,220,758</u>
Current Assets			
Debtors	7	99,621	122,863
Investments	8	1,100,000	-
Cash at bank and in hand		-	-
		<u>1,199,621</u>	<u>122,863</u>
Creditors :Amounts falling due within one year	9	(6,201,117)	(5,306,989)
Net current liabilities		<u>(5,001,496)</u>	<u>(5,184,126)</u>
Total assets less current liabilities		3,843,634	4,036,632
Net Assets		<u>3,843,634</u>	<u>4,036,632</u>
Capital and Reserves			
Called up share capital	11	6,250	6,250
Share premium account		16,244	16,244
Revaluation Reserve	12	4,849,396	5,087,326
Profit and Loss Account		(1,028,256)	(1,073,188)
Equity Shareholders' funds		<u>3,843,634</u>	<u>4,036,632</u>

The accompanying notes on pages 8 to 14 form an integral part of these financial statements.
The financial statements on pages 5 to 14 were approved by the board on 19 October 1998.

Mr G R J Borwick
Director



LOVE LANE INVESTMENTS LIMITED

Cash flow statements

for the year ended 31 December 1997

	Notes	1997 £	1996 £
Net cashflow from operating activities	16	271,872	235,950
Returns on investments and servicing of finance			
Investment income		131,415	109,332
Interest received		4,079	21
Interest paid		(119,125)	(348,262)
		<u>16,369</u>	<u>(238,909)</u>
Taxation			
UK Corporation tax recovered / (paid)		(11,479)	(8,683)
Capital expenditure & financial investment			
Purchase of loan debenture		(1,100,000)	-
Purchase of fixed asset investments		(2)	-
		<u>(1,100,002)</u>	<u>-</u>
Financing			
Increase in loans		850,000	2,500,000
Repayment of amounts borrowed		-	(2,888,130)
		<u>850,000</u>	<u>(388,130)</u>
Increase /(Decrease) in cash and cash equivalents		<u>26,760</u>	<u>(399,772)</u>

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

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 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

	1997 £	1996 £
Receivable		
Bank	-	-
Other	4,079	21
	<hr/> 4,079	<hr/> 21
Payable		
Bank Loans and Overdraft	120,625	151,286
Other Loans	-	15,872
	<hr/> 120,625	<hr/> 167,158

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 1997 (continued)

3. Operating Profit is stated after charging:

	1997	1996 £
Auditors' remuneration: audit services	2,250	2,600
: non audit services	-	7,050
Depreciation	137,700	137,700
Rent payable to Parent company	25,000	-
	<hr/>	<hr/>
and after crediting:		
Income from listed investments	131,415	96,832
Net property income	410,040	416,348
	<hr/>	<hr/>

4. Taxation

	1997	1996 £
UK Corporation tax		
Tax on franked investment income	26,283	21,866
Current year S242 claim		(21,866)
Prior Year Adjustment	21,866	
S242 Claim	(529)	
Other		
	<hr/>	<hr/>
Taxation Charge	47,620	-
	<hr/>	<hr/>

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

5. Tangible Fixed Assets

	Investment Property £	Fixtures and Fittings £	Total £
Cost			
At 1 January 1997	4,898,425	5,630	4,904,055
At 31 December 1997	<u>4,898,425</u>	<u>5,630</u>	<u>4,904,055</u>
Depreciation			
At 1 January 1997	973,996	5,630	979,626
Charge for the year	137,700	-	137,700
At 31 December 1997	<u>1,111,696</u>	<u>5,630</u>	<u>1,117,326</u>
Net Book Value			
At 31 December 1997	3,786,729		3,786,729
At 31 December 1996	<u>3,924,429</u>	<u>-</u>	<u>3,924,429</u>

6. Fixed asset investments

	Listed Investments £	Unlisted Investments £	Total £
Cost and net book value			
1 January 1997	5,295,329	1,000	5,296,329
Additions		2	2
Revaluation(see note 12)	(237,930)		(237,930)
31 December 1997	<u>5,057,399</u>	<u>1,002</u>	<u>5,058,401</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(1996 £208,003).

Unlisted investment at a cost of £1000 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. Additions to unlisted investments of £2 represent 100% of the issued shares in Runnymede Lane Ltd and Croucher & Croucher (Cheam) Ltd at a cost of £1 each. Both companies are registered in England & Wales.

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

7. Debtors

	1997	1996
	£	£
Trade debtors and prepayments	30,858	36,123
Amounts owed by subsidiary undertaking	1,565	--
Other Debtors	66,399	49,800
Corporation tax recoverable	799	36,940
	<u>99,621</u>	<u>122,863</u>

8. Investments

Investments represents a Term Loan Facility to Halvergate Developments Ltd, a company incorporated in England & Wales, for the purchase and development of a freehold property. The loan facility includes a profit participation on redevelopment. The company acquired the loan debenture, which has a nominal value of £1,000,000 in and under the above agreement at a cost of £1,100,000 from Federated Trust Corporation Ltd . Mr Borwick & Ms Craymer are directors of both Love Lane Investments Ltd and Federated Trust Corporation Ltd.

9. Creditors: Amounts falling due within one year

Bank Overdraft	84,218	110,978
Bank Loan (note 10)	1,502,037	1,502,037
Other Loan	0	0
Amount owed to parent undertaking	3,475,000	3,450,000
Other Creditors	906,172	56,218
Accrued interest	139,047	137,547
Other accruals and deferred income	94,643	50,209
	<u>6,201,117</u>	<u>5,306,989</u>

Other creditors includes amounts payable to Federated Trust Corporation Ltd of £850,000 for the purchase of a loan debenture as described in note 8 above.

10. Loans

Bank Loans : Aggregate amounts repayable:		
Within one year	1,502,037	1,502,037
Between one and two years	-	-
Between two and five years	-	-
	<u>1,502,037</u>	<u>1,502,037</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 1997 (continued)

11 Called up Share Capital

	1997	1996
	£	£
Authorised, allotted and fully paid		
6,250 ordinary shares of £1 each	6,250	6,250
	<hr/>	<hr/>

12 Revaluation Reserve

	£
1 January 1997	5,087,326
Movements for the year (See note 6)	(237,930)
	<hr/>
	4,849,396
	<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 of movements in shareholder's funds

	£
1 January 1997	4,036,632
Profit for the year	44,932
Movement on revaluation reserve for the year(see note 12)	(237,930)
	<hr/>
	3,843,634
	<hr/>

14. Particulars of employees

	1997	1996
	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	33,308	-
Social security costs	3,312	-
	<hr/>	<hr/>
	36,620	-
	<hr/>	<hr/>

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997(continued)

15. Directors' emoluments

Total directors' emoluments for the year amounted to £30,000 (1996: £1,250)

The emoluments (excluding pension contributions and social security costs) of the chairman and highest paid director were £25,000 (1996: £Nil). One other director received fees of £10,000 during the year(1996: £1,250).

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

	1997 £	1996 £
Operating profit	77,683	134,221
Depreciation	137,700	137,700
(Increase) in debtors	(12,899)	(23,187)
Increase /(Decrease) in creditors	69,388	(12,784)
Net cash inflow from operating activities	<u>271,872</u>	<u>235,950</u>

17. Analysis and reconciliation of net debt

	As at 01.01.97 £	Cash Flow £	Other Charges	As at 31.12.97 £
Cash at bank and in hand	-	-	-	-
Overdraft	(110,978)	26,760	-	(84,218)
Debt due within one year	(4,952,037)	(850,000)	-	(5,802,037)
Debt due after one year	-	-	-	-
Current asset investments	-	1,100,002	-	1,100,002
Total	<u>(5,063,015)</u>	<u>276,762</u>		<u>(4,786,253)</u>

Reconciliation of net cashflow to movement in net debt

Increase in cash in year	26,760
Cash inflow from increase in debt	(850,000)
Cash outflow from increase in investments	1,100,002
Change in net debt resulting from cashflows	<u>276,762</u>
Net debt at beginning of year	(5,063,015)
Net debt at end of year	<u>(4,786,253)</u>

LOVE LANE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997(continued)

18. Ultimate Parent Undertaking

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