

EGERTON CONTRACTS LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report and the accounts of the company for the year ended 31st December 1998.

RESULTS AND DIVIDENDS

The results for the year after taxation, and the appropriation thereof, are set out in the Profit and Loss Account on page 4. The directors do not propose that any dividends should be paid.

PRINCIPAL ACTIVITY

The principal activity of the company is that of holding company.

REVIEW OF THE BUSINESS

The directors consider the results for the year and the company's year end financial position to be satisfactory.

DIRECTORS AND THEIR INTERESTS

The directors, all of whom were in office throughout the year, and their interests in the Share Capital of the company were as follows :-

	<u>Ordinary shares of £1 each</u>	
	<u>31.12.1998</u>	<u>01.01.1998</u>
A.S. Greenhalgh	8,999	8,999
J.T. Bateson	8,999	8,999
N. Greenhalgh	-	-

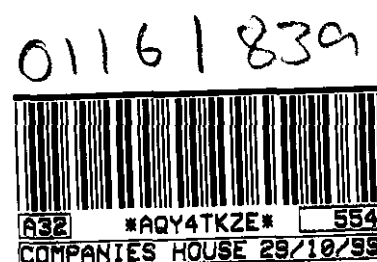
DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements 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 of the company for that period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently ;
- make judgments and estimates that are reasonable and prudent ;
- 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.

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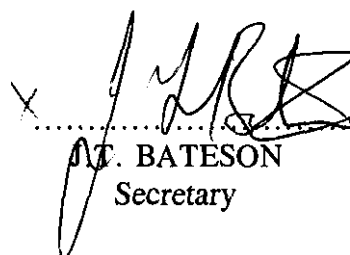
EGERTON CONTRACTS LIMITEDREPORT OF THE DIRECTORS (Contd.)AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of Smith, Lockett & Gowlar as auditors to the company will be proposed at the Annual General Meeting.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board,

Date X 25.10.99

X 
J.T. BATESON
Secretary

EGERTON CONTRACTS LIMITEDAUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 7 which have been prepared under the historical cost convention and the accounting policy set out on page 6.

Respective responsibilities of Directors and Auditors

As described on page 1 the company's Directors are responsible for the preparation of 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.

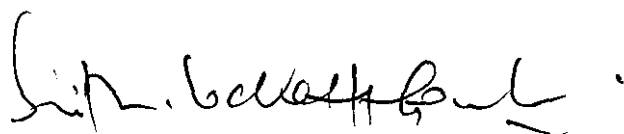
Basis of opinion

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 judgments made by the Directors in the preparation of the financial statements, and 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SMITH, LOCKETT & GOWLAR

Chartered Certified Accountants
and Registered Auditor

28th October 1999

17 Chapel Street, Hyde, Cheshire.

EGERTON CONTRACTS LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
TURNOVER		-	-
Cost of sales		<u>-</u>	<u>-</u>
GROSS PROFIT		-	-
Sales and marketing expenses	-	-	-
Administrative expenses	-	-	-
Other operating charges	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING PROFIT		-	-
Other income	2	<u>22,397</u>	<u>130,000</u>
		22,397	130,000
Interest payable		<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		22,397	130,000
TAXATION	3	<u>4,479</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		17,918	130,000
DIVIDENDS	4	<u>-</u>	<u>400,000</u>
RETAINED PROFIT (LOSS) FOR THE YEAR		<u>£17,918</u>	<u>£(270,000)</u>

The company made no recognised gains or losses in 1998 or 1997 other than the profit (loss) for the year.

STATEMENT OF RETAINED PROFITS

RETAINED PROFIT AT 1st January 1998	17,627	287,627
Retained profit (loss) for the year	<u>17,918</u>	<u>(270,000)</u>
RETAINED PROFIT at 31st December 1998	<u>£35,545</u>	<u>£17,627</u>

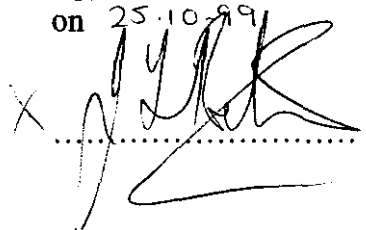
The notes on pages 6 and 7 form part of these accounts

EGERTON CONTRACTS LIMITEDBALANCE SHEET - 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
<u>FIXED ASSETS</u>			
Investments	5	1,100,000	1,100,000
<u>CURRENT ASSETS</u>			
Debtors	6	-	130,000
Cash at bank and in hand		<u>3,397</u>	<u>-</u>
		3,397	130,000
LESS:			
<u>CREDITORS</u>			
Amounts falling due within one year	7	<u>1,060,653</u>	<u>1,205,174</u>
NET CURRENT LIABILITIES		(1,057,256)	(1,075,174)
TOTAL ASSETS LESS CURRENT LIABILITIES		42,744	24,826
<u>PROVISION FOR LIABILITIES AND CHARGES</u>			
Deferred taxation		<u>-</u>	<u>-</u>
		<u>£42,744</u>	<u>£24,826</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	8	7,199	7,199
Profit and loss account		<u>35,545</u>	<u>17,627</u>
Shareholders' funds	9	<u>£42,744</u>	<u>£24,826</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board
on 25.10.99

X  - Director

EGERTON CONTRACTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICY

Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards.

2.	<u>OTHER INCOME</u>	<u>1998</u>	<u>1997</u>
	Dividends receivable from group undertaking	-	130,000
	Bank interest receivable	<u>22,397</u>	<u>-</u>
		<u>£22,397</u>	<u>£130,000</u>
3.	<u>TAXATION</u>	<u>1998</u>	<u>1997</u>
	In respect of the year :-		
	I.O.M. income tax @ 20%	<u>£4,479</u>	<u>£ -</u>
4.	<u>DIVIDENDS</u>	<u>1998</u>	<u>1997</u>
	Proposed ordinary dividend of nil per share (1997 - £22.22)	<u>£ -</u>	<u>£400,000</u>
5.	<u>INVESTMENTS</u>	<u>1998</u>	<u>1997</u>
	Cost of shares in subsidiary company	<u>£1,100,000</u>	<u>£1,100,000</u>

The company's wholly owned subsidiary, Egerton Construction Company Limited was incorporated in England. The company is registered as a foreign company in the Isle of Man under S.313 I.O.M. Companies Act 1931. The principal activity of the subsidiary is that of house building and general construction. Shares held in the subsidiary are :

1,097,149 ordinary shares of £1 each
2,851 3% non-cum. preference shares of £1 each

6. DEBTORS

<u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>1998</u>	<u>1997</u>
Other debtors	<u>£ -</u>	<u>£130,000</u>

EGERTON CONTRACTS LIMITEDNOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 19987. CREDITORS

<u>AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>1998</u>	<u>1997</u>
Other taxes and social security costs	4,518	39
Owed to group undertakings	1,056,135	805,135
Proposed dividends	<u>-</u>	<u>400,000</u>
	<u>£1,060,653</u>	<u>£1,205,174</u>

8. CALLED UP SHARE CAPITAL

	<u>Number Authorised</u>		<u>Number Allotted</u>		<u>Called up and Paid</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>	<u>17,998</u>	<u>17,998</u>	<u>£7,199</u>	<u>£7,199</u>

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
Profit (loss) for the financial year	17,918	(270,000)
Opening shareholders' funds	<u>24,826</u>	<u>294,826</u>
Closing shareholders' funds	<u>£42,744</u>	<u>£24,826</u>