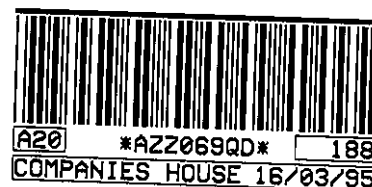


SWINTON PROPERTIES LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 1994

Registered Number: 1770899 England



SWINTON PROPERTIES LIMITED

DIRECTORS:

G E Jones
A M Hazeldine
P W Lowe
G N Mawman
C J Oliver
J M Price
R W Sherrard

SECRETARY:

S A Hargreaves

REGISTERED OFFICE:

31/33 Princess Street
Manchester, M2 4EW

REGISTERED AUDITORS:

Coopers & Lybrand
Abacus Court
6 Minshull Street
Manchester, M1 3ED

SOLICITORS:

Colemans
Fourth Floor
Elisabeth House
16 St Peter's Square
Manchester, M2 3DF

Halliwell Landau
St James's Court
Brown Street
Manchester
M2 2JF

Elborne Mitchell
One America Square
Crosswall
London
EC3N 2LB

REGISTERED NUMBER:

1770899 England

SWINTON PROPERTIES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements of the Company for the year ended 31 December 1994.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be property management.

Both the level of business and the year end position were satisfactory.

In September the Company's holding company, Swinton (Holdings) Limited, announced a significant development and restructuring programme designed to improve customer service and reduce operating costs. This programme includes the rationalisation and realignment of the branch network and will result in a number of the Company's properties becoming vacant and being placed on the market.

RESULTS AND DIVIDEND

The results for the year are set out in the profit and loss account on Page 6. The directors do not recommend the payment of a dividend.

FIXED ASSETS

The changes in fixed assets during the year are shown in notes 8 and 9 on pages 12 and 13 to the financial statements.

DIRECTORS

The members of the board during the year were:

G E Jones
A M Hazeldine
P W Lowe
G N Mawman
C J Oliver
J M Price
R W Sherrard
A Thomson (resigned 25 January 1994)

No director had any interest in the shares or debentures of the Company.

SWINTON PROPERTIES LIMITED

REPORT OF THE DIRECTORS

DIRECTORS (continued)

The interests of the directors in the shares and debentures of other bodies corporate in the same group as the Company were as follows:-

Swinton (Holdings) Limited

	As at 01/01/94	Options to subscribe for ordinary shares of 10p each Granted	Exercised/ Lapsed	As at 31/12/94
A M Hazeldine	13,006	-	-	13,006
P W Lowe	19,509	-	-	19,509
G N Mawman	28,179	-	-	28,179
J M Price	17,341	-	-	17,341

Sun Alliance Group plc

	As at 01/01/94	Options to subscribe for ordinary shares of 25p each Granted	Exercised/ Lapsed	As at 31/12/94
A M Hazeldine	5,793	1,453	-	7,246
P W Lowe	9,783	1,453	(2,075)	9,161
G N Mawman	9,825	2,078	-	11,903
C J Oliver	5,793	1,453	-	7,246
J M Price	15,873	1,453	-	17,326
R W Sherrard	5,793	1,453	-	7,246

G E Jones is a director of the immediate parent company, Swinton (Holdings) Limited and his interests are shown in the financial statements of that company.

DIRECTORS AND OFFICERS INSURANCE

The Company's ultimate parent company, Sun Alliance Group Plc, maintains policies for all directors and officers against liability arising in relation to the company.

SWINTON PROPERTIES LIMITED

REPORT OF THE DIRECTORS

DIRECTORS' RESPONSIBILITIES

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 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 to 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.

AUDITORS

A resolution to reappoint Coopers & Lybrand as the Company's auditors will be proposed at the annual general meeting, together with a resolution concerning their remuneration.

By Order of the Board



S A HARGREAVES

Secretary

22 February 1995

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SWINTON PROPERTIES LIMITED**

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

As described on Page 4 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.

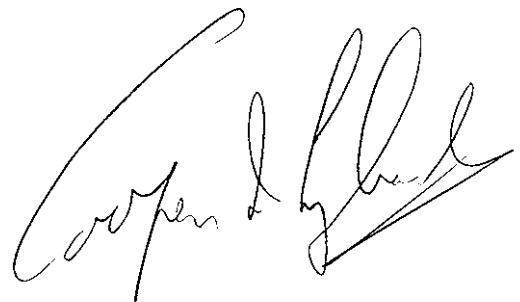
Basis of opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1994 and of its profit and total recognised gains for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

**Chartered Accountants and Registered Auditors
Manchester**

22 February 1995

SWINTON PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

All Continuing Operations	Note	1994 £	1993 £
TURNOVER	2	2,389,849	2,332,760
Administrative expenses		(671,642)	(623,297)
		-----	-----
OPERATING PROFIT	3	1,718,207	1,709,463
Interest Receivable	5	276	1,295
Interest Payable	6	-	(62,503)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,718,483	1,648,255
Tax on profit on ordinary activities	7	(632,485)	(601,003)
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,085,998	1,047,252
RETAINED PROFIT BROUGHT FORWARD		4,000,295	3,050,727
TRANSFER FROM REVALUATION RESERVE	15	(148,716)	(97,684)
		-----	-----
RETAINED PROFIT CARRIED FORWARD		<u>£4,937,577</u>	<u>£4,000,295</u>

SWINTON PROPERTIES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	<u>Note</u>	<u>1994</u> £	<u>1993</u> £
Profit for the financial year		1,085,998	1,047,252
Unrealised deficit on revaluation of properties	15	(194,356)	(917,361)
		-----	-----
Total gains and losses recognised since last annual report		£891,642	£129,891
		=====	=====

NOTE OF HISTORICAL COST PROFITS AND LOSSES

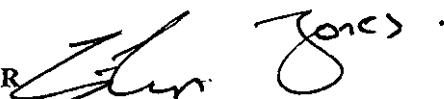
	<u>1994</u> £	<u>1993</u> £
Reported profit on ordinary activities before taxation	1,718,483	1,648,255
Realisation of revaluation (deficit)/surplus of previous years on assets sold in the year	(11,566)	(34,000)
	-----	-----
Historical cost profit on ordinary activities before taxation	£1,706,917	£1,614,255
	=====	=====
Historical cost profit for the period retained after taxation	£1,074,432	£1,013,252
	=====	=====

SWINTON PROPERTIES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1994

	<u>Note</u>	<u>1994</u> £	<u>1993</u> £
FIXED ASSETS			
Tangible assets	8	19,665,820	20,513,368
Investments	9	170,543	170,543
		-----	-----
		19,836,363	20,683,911
		-----	-----
CURRENT ASSETS			
Assets held for resale		380,000	380,000
Debtors	10	108,787	139,184
		-----	-----
		488,787	519,184
CREDITORS: Amounts falling due within one year	11	(205,182)	(198,948)
		-----	-----
NET CURRENT ASSETS/LIABILITIES		283,605	320,236
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		20,119,968	21,004,147
CREDITORS: Amounts falling due after more than one year	12	(10,741,189)	(12,517,010)
		-----	-----
		£9,378,779	£8,487,137
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	14	1,094,468	1,094,468
Share premium account		1,781,035	1,781,035
Revaluation reserve	15	849,838	895,478
Acquisition reserve		715,861	715,861
Profit and loss account		4,937,577	4,000,295
		-----	-----
		£9,378,779	£8,487,137
		=====	=====

The financial statements on pages 6 to 15 were approved by the board on 22 February 1995.

G E JONES - DIRECTOR



SWINTON PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1994

1. STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

Basis of Preparation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

Fixed Assets

a) Valuations

Interests in freehold and long leasehold properties are stated at a valuation. All freehold and long leasehold properties are valued by independent professionally qualified valuers at least once every three years with valuations in the intervening years being performed by the Company's qualified surveyors. The basis of valuation is open market value or, for those properties occupied by the Company, open market value for existing use. Surpluses or deficits arising on valuation are taken direct to revaluation reserve. Where there is a permanent diminution in value of a freehold or long leasehold property to below its carrying amount such a diminution is recognised in the profit and loss account in the year in which it occurs or is first perceived.

b) Depreciation

Freehold and long leasehold properties, the majority of which are operated as retail outlets within the Group, are maintained to a high standard. As a result, the directors are of the opinion that the residual values, estimated at the date of acquisition or subsequent valuation, are such that depreciation is not significant. Accordingly, freehold and long leasehold properties are not depreciated.

The costs of maintenance and repair of freehold and long leasehold property are charged through the profit and loss account of the Group as they arise. Improvements to these properties are capitalised within the Group and written off over an estimated useful life of seven years.

Depreciation is provided so as to write off the cost of all other tangible fixed assets over their expected useful life of seven years.

Equipment and furniture – 4 – 7 years

SWINTON PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1994

1. STATEMENT OF ACCOUNTING POLICIES (Continued).

c) Disposals of freehold and long leasehold property

The difference between net proceeds and net carrying amount is dealt with through the profit and loss account. Any amount in the revaluation reserve relating to the property is transferred to the profit and loss reserve.

d) Deferred taxation

Deferred taxation is provided using the liability method to the extent that the directors consider that a liability will arise in the foreseeable future.

e) Cash flows

The Company is a wholly owned subsidiary of Sun Alliance Group plc and its cash flows are included in the consolidated cash flow statement of that Company. Consequently, the Company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement.

2. TURNOVER

Turnover comprises net property, chief and group rents receivable, and has been earned as follows:-

	<u>1994</u> £	<u>1993</u> £
Group Rents	1,704,314	1,603,313
External Rents	685,190	728,847
Chief and ground rents	345	600
	-----	-----
	<u>£2,389,849</u>	<u>£2,332,760</u>

SWINTON PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994**

	<u>1994</u>	<u>1993</u>
	£	£
3 OPERATING PROFIT		
Operating profit is stated after charging:		
Depreciation	4,224	4,892
Auditors' remuneration	7,050	7,050
	<u> </u>	<u> </u>
and after crediting:		
Profit on disposal of tangible fixed assets	2,750	44,150
	<u> </u>	<u> </u>
4 DIRECTORS REMUNERATION		
The directors did not receive any remuneration during the period (1993 – £nil).		
	<u>1994</u>	<u>1993</u>
	£	£
5 INTEREST RECEIVABLE		
Other interest	£276	£1,295
	<u> </u>	<u> </u>
6 INTEREST PAYABLE		
On loans repayable within 5 years other than by instalments	–	£62,503
	<u> </u>	<u> </u>
7 TAX ON PROFIT ON ORDINARY ACTIVITIES		
The tax charge for the year represents		
Group loss relief payable at 33% (1993 – 33%)	632,485	601,154
Adjustment in respect of previous years	–	(151)
	<u> </u>	<u> </u>
	£632,485	£601,003
	<u> </u>	<u> </u>

SWINTON PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994**

8 TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold Property £	Equipment & Furniture £	Total £
Cost or valuation				
At 1 January 1994	18,738,193	1,769,366	34,244	20,541,803
Additions	-	(619)	-	(619)
Disposals	(434,000)	(57,000)	-	(491,000)
Transfers/Reclassifications				
Revaluation adjustment	(191,608)	(2,747)	-	(194,355)
Adjustment for permanent diminution in value	(141,350)	(16,000)	-	(157,350)
	<u>17,971,235</u>	<u>1,693,000</u>	<u>34,244</u>	<u>19,698,479</u>
At 31 December 1994	<u>17,971,235</u>	<u>1,693,000</u>	<u>34,244</u>	<u>19,698,479</u>
At valuation	17,971,235	1,693,000	-	19,664,235
At cost	-	-	34,244	34,244
	<u>17,971,235</u>	<u>1,693,000</u>	<u>34,244</u>	<u>19,698,479</u>
Depreciation				
At 1 January 1994	-	-	28,435	28,435
Charge for the year	-	-	4,224	4,224
	<u>-</u>	<u>-</u>	<u>32,659</u>	<u>32,659</u>
At 31 December 1994	<u>-</u>	<u>-</u>	<u>32,659</u>	<u>32,659</u>
Net book value				
At 31 December 1994	<u>£17,971,235</u>	<u>£1,693,000</u>	<u>£1,585</u>	<u>£19,665,820</u>
At 31 December 1993	<u>£ 18,738,193</u>	<u>£ 1,769,366</u>	<u>£ 5,809</u>	<u>£ 20,513,368</u>

In accordance with the Company's accounting policy, freehold and long leasehold properties to the value of £10,660,150 were valued at 31 December 1994 by J Trevor & Webster, Property Agents, Surveyors and Valuers, of Barnett House, Fountain Street, Manchester, M2 2AN on an open market value for existing use basis where occupied by the Company and on an open market basis where otherwise occupied.

The approximate historical cost of freehold and long leasehold property at 31 December 1994 amounted to £19,700,000 (1993 - £20,300,000).

Freehold property includes a valuation of £3,405,000 for a property which has been the subject of leasehold improvements of £0.9m by the tenant, Swinton Group Limited, a fellow subsidiary. Swinton Group Limited has also capitalised £0.9m of leasehold improvements in its financial statements.

SWINTON PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994**

9 FIXED ASSET INVESTMENTS

	<u>1994</u>	<u>1993</u>
	£	£
Loan to group undertaking at cost	487,000	487,000
Less: provision for diminution in value	(316,457)	(316,457)
	-----	-----
	£170,543	£170,543
	=====	=====

10 DEBTORS

Trade debtors	79,630	132,550
Other debtors	29,157	6,634
	-----	-----
	£108,787	£139,184
	=====	=====

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Other creditors including taxation and social security	3,250	-
Accruals and deferred income	201,932	198,948
	-----	-----
	£205,182	£198,948
	=====	=====

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Amounts owed to group undertaking	£10,741,189	£12,517,010
	=====	=====

SWINTON PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994**

13 DEFERRED TAXATION

The surplus arising on revaluation does not constitute a timing difference and therefore the deferred taxation has not been quantified.

14 SHARE CAPITAL

	£
Authorised	
At 1 Jan 1994 and 31 Dec 1994	
1,094,047 deferred shares of £1 each	1,094,047
40,000 deferred shares of 1p each	400
500 ordinary shares of 5p each	25

	£ 1,094,472
	=====
Issued and fully paid	
At 1 Jan 1994 and 31 Dec 1994	
1,094,047 deferred shares of £1 each	1,094,047
40,000 deferred shares of 1p each	400
419 ordinary shares of 5p each	21

	£1,094,468
	=====

15 REVALUATION RESERVE

At 1 January 1994	895,478
Decrease in property valuation	(194,356)
Revaluation deficits transferred to profit and loss account	148,716

At 31 December 1994	849,838
	=====

SWINTON PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994**

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>1994</u> £	<u>1993</u> £
Profit for the financial year	1,085,998	1,047,252
Other recognised gains and losses for the year	(194,356)	(917,361)
	-----	-----
Net addition to shareholders' funds	891,642	129,891
Opening shareholders funds	8,487,137	8,357,246
	-----	-----
Closing shareholders' funds	<u>£9,378,779</u>	<u>£8,487,137</u>

17 ULTIMATE PARENT COMPANY

The ultimate parent company is Sun Alliance Group plc and the immediate parent company is Swinton (Holdings) Ltd. Both companies are registered in England and Wales.

SWINTON PROPERTIES LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994**

	<u>1994</u>	<u>1993</u>
	£	£
TURNOVER		
Rents receivable	2,389,504	2,332,160
Chief and ground rents receivable	345	600
	-----	-----
	2,389,849	2,332,760
 ADMINISTRATIVE EXPENSES		
Audit and accountancy	7,050	7,050
Legal and professional fees	62,923	39,644
Rent payable	575	312
Administration charge	391,918	374,236
Repairs and renewals		-
Depreciation	4,224	4,892
(Profit)/loss on disposal of tangible fixed assets	(2,750)	(44,150)
Costs of disposal of tangible fixed assets	11,684	4,782
Adjustment for permanent diminution in value of properties held for resale	157,350	187,250
Bad debt provision	19,262	11,889
Bad debts written off	19,406	37,392
	-----	-----
	671,642	623,297
	-----	-----
OPERATING PROFIT	1,718,207	1,709,463
	-----	-----
 INTEREST RECEIVABLE		
Other interest	276	1,295
 INTEREST PAYABLE		
Loan interest	-	(62,503)
	-----	-----
 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,718,483	1,648,255
	=====	=====