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TEMPLEFORD LIMITED

DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 1998



TEMPLEFORD LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 1998

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TEMPLEFORD LIMITED

COMPANY INFORMATION

DIRECTORS

Nora Wycherley
Gerard Wycherley

SECRETARY

Gerard Wycherley

REGISTERED OFFICE

74 High Street
Croydon
Surrey CR9 2UV
England

SOLICITORS

T.J. Hegarty & Sons
58 South Mall
Cork
Ireland

BANKERS

ICC Bank plc
ICC House
46 Grand Parade
Cork
Ireland

Bank of Ireland
83 South Mall
Cork
Ireland

AUDITORS

Ernst & Young
89 South Mall
Cork
Ireland

DIRECTORS' REPORT

for the year ended 31 December 1998

The Directors submit herewith their report and audited financial statements for the year ended 31 December 1998 which are set out on pages 5 to 12.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The principal activity of the company continued to be development of commercial properties. During the year the company maintained its level of rental income. In addition the company generated profits on disposal of some commercial units.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AS AT 31 DECEMBER 1998

The Profit and Loss Account and Balance Sheet for the year ended 31 December 1998 are set out on pages 5 and 6. Profit on ordinary activities before taxation amounted to IR£525,865 compared with a profit of IR£783,055 in the previous year. After a deduction of taxation of IR£19,645 an amount of IR£506,220 is available for dividends and retention.

DIVIDENDS AND RETENTION

It is not proposed to pay any dividend.

SAFETY, HEALTH, AND WELFARE AT WORK ACT, 1989.

The wellbeing of the company's employees is safeguarded through strict adherence to health and safety standards. The directors are satisfied that the company meets the provisions of the Safety, Health and Welfare at Work Act, 1989.

FUTURE DEVELOPMENTS IN THE BUSINESS

The company intends to maintain current management policies and look forward to further growth in 1999.

The company continued to develop its site at Marina Commercial Park, with a view to increasing its capacity for the sale or rent of units.

DIRECTORS

The directors are listed on page 1.

DIRECTORS INTEREST

The directors had no beneficial interest in the shares of the company at any time during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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:

TEMPLEFORD LIMITED

DIRECTORS' REPORT

for the year ended 31 December 1998 - continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS - CONTINUED

- * select suitable accounting policies and then apply them consistently;
- * make judgements 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 which enables them to ensure that the financial statements comply with the Companies Act, 1985 and The European Communities (Companies: Group accounts) Regulations, 1992. 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.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue.

In the opinion of the directors the Year 2000 issue is not expected to have a significant material effect on the operations of the company.

AUDITORS

Ernst & Young will continue in office in accordance with Section 386 of the Companies Act, 1985.

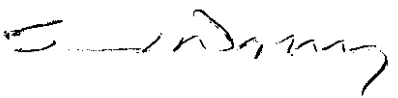
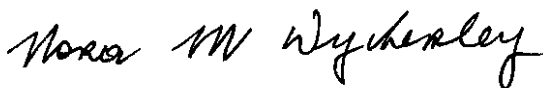
SMALL COMPANY EXEMPTIONS

The directors have taken advantage of the exemptions conferred by Part II of Schedule 8 to the Companies Act, 1985

Approved by the Board on: 30-9-1999.

On behalf of the Directors

Directors

REPORT OF THE AUDITORS' TO THE MEMBERS OF TEMPLEFORD LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on pages 2 and 3 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

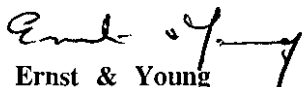
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

Opinion

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

In our opinion the company is entitled for the year ended 31 December 1998 to the exemption conferred by section 248 of the Companies Act 1985 from the requirement to prepare group accounts.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written over the printed name.

Ernst & Young
Registered Auditor
Cork
Ireland

4 October 1999

TEMPLEFORD LIMITED


PROFIT & LOSS ACCOUNT for the year ended 31 December 1998

	Notes	1998 IR£	1997 IR£
TURNOVER	2	1,272,426	1,659,526
Depreciation		(4,394)	(4,394)
Staff costs	3	(99,096)	(53,523)
Other operating expenses		(228,487)	(378,991)
OPERATING PROFIT		940,449	1,222,618
Interest received/receivable		-	2,740
Interest payable and similar charges	4	(414,584)	(442,303)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	525,865	783,055
Tax on profit on ordinary activities	6	(19,645)	(108,560)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		506,220	674,495
PROFIT BROUGHT FORWARD		1,042,140	367,645
PROFIT CARRIED FORWARD		1,548,360	1,042,140

There are no recognised gains or losses in either year other than the profit attributable to the shareholders of the company.

Approved by the Board on:

On behalf of the Directors


Nona M Wyderley

Directors

TEMPLEFORD LIMITED

BALANCE SHEET

at 31 December 1998

	Notes	1998 IR£	1997 IR£
ASSETS EMPLOYED			
Tangible fixed assets	7	5,833,746	5,877,132
Financial assets	11	969,124	969,053
CURRENT ASSETS			
Properties in course of development	8	320,826	565,712
Debtors	9	1,703,377	1,608,955
Cash at bank and in hand		37	36
		<u>2,024,240</u>	<u>2,174,703</u>
CREDITORS (amounts falling due within one year)	10	587,284	2,075,408
NET CURRENT ASSETS		<u>1,436,956</u>	<u>99,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,239,826	6,945,480
CREDITORS (amounts falling due after more than one year)	12	4,294,621	3,490,443
		<u>3,945,205</u>	<u>3,455,037</u>
CAPITAL AND RESERVES			
Called up share capital	13	10,416	10,416
Revaluation reserve	15	2,386,429	2,402,481
Profit and loss account		1,548,360	1,042,140
		<u>3,945,205</u>	<u>3,455,037</u>

Approved by the Board on:

30-12-1999.

On behalf of the Directors

S. W. W. W. W. W.
Nona M. Wykeley

Directors

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation

The cost of fixed assets is written off by equal instalments over their expected useful lives as follows:

Office Equipment	15%
Motor Vehicles	20%

Investment property

Investment Property is stated at open market valuation. When properties are completed and let they are transferred to fixed assets at cost.

The purchase and sale of properties are recognised in the financial statements at the date of legal completion.

Foreign currencies

Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Profits and losses arising on translation are recognised in the profit and loss account.

2. TURNOVER

Turnover represents sales at invoice value excluding value added tax. Turnover is attributable to one continuing activity, the business of property management. All turnover arises within the Republic of Ireland.

3. EMPLOYEES AND REMUNERATION

The average number of persons employed by the company in the financial year was 5 (1997 - 4) and is analysed into the following categories:

	1998	1997
Administration & management	5	4
The staff costs are comprised of:		
	IR£	IR£
Wages and salaries	89,462	48,278
Social welfare costs	9,634	5,245
	99,096	53,523

4. INTEREST PAYABLE AND SIMILAR CHARGES

Bank interest and charges	414,584	442,303
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This consists of interest payable on bank loans and overdrafts. All these facilities are repayable within 5 years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998 - continued

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 IR£	1997 IR£
The profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	3,000	3,000

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax @ 38% & 30%	19,000	99,000
Adjustment relating to prior years	645	9,560
	19,645	108,560

7. TANGIBLE FIXED ASSETS

	Investment Property IR£	Office Equipment IR£	Motor Vehicles IR£	Total IR£
COST/VALUATION				
At 1 January 1998	5,858,801	3,025	19,700	5,881,526
Additions	214,104	-	-	214,104
Revaluation	(16,052)	-	-	(16,052)
Disposals	(237,044)	-	-	(237,044)
At 31 December 1998	5,819,809	3,025	19,700	5,842,534
DEPRECIATION				
At 1 January 1998	-	454	3,940	4,394
Charge for year	-	454	3,940	4,394
At 31 December 1998	-	908	7,880	8,788
Net Book Amount 1998	5,819,809	2,117	11,820	5,833,746
Net Book Amount 1997	5,858,801	2,571	15,760	5,877,132

Investment property was valued by Hamilton Osborne King at 31 December 1995 on the basis of open market value for existing use at IR£6,250,000. This was based on established yields for similar investment properties. The sale of a number of rental units has been reflected as a disposal at market value in the accounts.

IR£

Historic cost at 31 December 1998 3,433,380

8. PROPERTIES IN COURSE OF DEVELOPMENT

	1998 IR£	1997 IR£
Properties in course of development	320,826	565,712

Properties in course of development consist of costs associated in bringing the units comprised in the property to a completed condition, prior to transfer to fixed assets for letting, or for sale. Cost comprises an allocation of original cost.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998 - continued

9. DEBTORS

	1998 IR£	1997 IR£
(Amounts falling due within one year)		
Due by group companies	1,568,068	1,460,925
Prepayments	135,309	148,030
	<u>1,703,377</u>	<u>1,608,955</u>

10. CREDITORS

(Amounts falling due within one year)

Trade and other creditors	187,062	369,589
Bank loans (Note 14)	381,222	1,458,210
Advance deposits	-	151,490
Taxation	19,000	96,119
	<u>587,284</u>	<u>2,075,408</u>

11. FINANCIAL FIXED ASSETS

(a) Investments including subsidiary undertakings - unlisted

At 31 December		
Shares at cost	969,124	969,053

(b) Subsidiary undertakings

Details of the investment in the company's subsidiary undertakings are as follows:

<i>Name of company</i>	<i>Registered office</i>	<i>Holding</i>	<i>Position held</i>	<i>Nature of business</i>
Marina Commercial Park Ltd	Enterprise House Marina Commercial Park Cork Ireland	Ordinary shares of IR£1 each	100%	Property Management
MCP Management Ltd	Enterprise House Marina Commercial Park Cork Ireland	Ordinary shares of IR£1 each	100%	Service Company
Citcra Investments Limited	Enterprise House Marina Commercial Park Cork Ireland	Ordinary shares of IR£1 each	100%	Property Holding Company
Celtic Ross Hotel Limited	Enterprise House Marina Commercial Park Cork Ireland	Ordinary shares of IR£1 each	80%	Hotel Trade
Omnistone Limited	Enterprise House Marina Commercial Park Cork Ireland	Ordinary shares of IR£1 each	37.5% 50%	Property Holding Company

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998 - continued

11. FINANCIAL FIXED ASSETS - CONTINUED

The year end of each of the subsidiary companies is 31 December other than Omnistone Ltd which is 31 March. Profit/(loss) for the years ended below and the aggregate of capital and reserves at that date were as follows:

	<i>Celtic Ross Hotel Limited 31/12/98</i>	<i>Omnistone Limited 31/3/98</i>	<i>Marina Commercial Park Limited 31/12/98</i>	<i>MCP Management Limited 31/12/98</i>	<i>Citcra Investments Limited 31/12/98</i>
Profit/(loss) for the year	(123,932)	(18,214)	916	(152)	30,482
Aggregate of Capital and reserves	(319,305)	400,540	7,734	(1,166)	41,952

(c) Other

During 1995 the company purchased 100 IR£1 Redeemable Preference Shares for £539,803, in Mishmerot Limited, a company registered in The Isle of Man.

(d) In the opinion of the directors the value to the company of the unlisted investments is not less than the book value shown at (a) above.

12. CREDITORS

(Amounts falling due after more than one year)

	<i>1998 IR£</i>	<i>1997 IR£</i>
Bank loans (Note 14)	4,125,255	3,321,077
Due to related company	169,366	169,366
	<u>4,294,621</u>	<u>3,490,443</u>

The loan due to a related company is unsecured. There is no interest payable and no fixed terms of repayment. However, the loan cannot be repaid in advance of ICC bank loans.

13. CALLED UP SHARE CAPITAL

Authorised:

10,000 Ordinary shares of STG£1 each	10,416	10,416
Allotted, called up and fully paid:		
10,000 Ordinary shares STG£1 each	10,416	10,416

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998 - continued

14. BANK BORROWINGS

	1998 IR£	1997 IR£
(Amounts falling due within one year)		
Bank loans	381,222	1,458,210
(Amounts falling due after more than one year)		
Bank loans 1 - 2 years	1,598,045	336,140
Bank loans 2 - 5 years	1,317,823	1,725,347
Bank loans > 5 years	1,209,387	1,259,590
	4,125,255	3,321,077

The long term loan from ICC Bank plc is secured by way of a specific mortgage over the company's property at Marina Commercial Park, Cork, Ireland and by way of a floating charge over all the assets of the company. In addition ICC Bank plc hold fixed and floating charges over the assets of another group company.

15. INVESTMENT REVALUATION RESERVE

	1998 IR£	1997 IR£
Surplus on the revaluation of investment properties	2,386,429	2,402,481

The directors revalued the premises at 31 December 1995 at IR£6,250,000.

16. DEFERRED TAXATION

No provision has been made for deferred taxation because in the opinion of the directors, the revaluation of investment property does not constitute a timing difference.

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital IR£	Revaluation Reserve IR£	Profit and loss account IR£	Total IR£
At 1 January 1997	10,416	2,464,364	367,645	2,842,425
Profit for the year	-	-	674,495	674,495
Revaluation reserve	-	(61,883)	-	(61,883)
At 1 January 1998	10,416	2,402,481	1,042,140	3,455,037
Profit for the year	-	-	506,220	506,220
At 31 December 1998	10,416	2,402,481	1,548,360	3,961,257

Attributable to equity shareholders.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998 - continued

18. TRANSACTIONS WITH DIRECTORS

The directors had no significant transactions with the company during the year within the meaning of the Companies Act 1985.

19. RELATED PARTY TRANSACTIONS

The company paid property management fees to one of its subsidiaries, Marina Commercial Park Limited amounting to IR30,000 for the year ended 31 December 1998. From the company's own income an amount of IR£28,957 was apportioned to MCP Management Limited in respect of service charge income received into Templeford Limited.

The company also paid a management charge to Mr. Gerard Wycherley, a director, amounting to IR£84,000.

20. DIRECTORS AND SECRETARY'S INTEREST

The directors and secretary had no interest in the share capital of the company during the financial year.

TEMPLEFORD LIMITED

OPERATING STATEMENT

for the year ended 31 December 1998

	<i>1998</i> <i>IR£</i>	<i>1997</i> <i>IR£</i>
INCOME		
Rental income	916,226	917,542
Profit on disposal of units	210,275	738,271
Other income	9,680	3,713
Management charges	136,245	-
Deposit interest	-	2,740
	<hr/> 1,272,426	<hr/> 1,662,266
EXPENSES		
Loan interest	414,584	442,303
Agency fees & administration costs	30,000	51,791
Legal & professional fees	20,945	25,405
Audit & accountancy	8,767	6,900
Office expenses	4,563	5,223
Wages & Salaries	99,096	53,523
Management charge	84,000	84,000
Repairs & renewals	58,295	181,258
Telephone	5,481	7,005
Advertising	2,617	3,746
Travel expenses	12,183	14,129
Depreciation charge	4,394	4,394
Sundry	3,213	4,150
Bad debts	(1,577)	(4,616)
	<hr/> 746,561	<hr/> 879,211
NET PROFIT FOR YEAR	<hr/> <hr/> 525,865	<hr/> <hr/> 783,055