

PROPHOLD LIMITED
COMPANY NUMBER 1876080
(ENGLAND AND WALES)
FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED
31 MARCH 1992



Meredith Thomas
Chartered Accountants
and Registered Auditor
Kidderminster



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PROPHOLD LIMITED
FOR THE EIGHTEEN MONTHS ENDED
31 MARCH 1992

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PROPHOLD LIMITED
REPORT OF THE DIRECTORS
COMPANY NUMBER 1876080

The directors submit their annual report and financial statements for the eighteen months ended 31 March 1992.

ISSUE OF SHARES

During the period under review the directors concluded that in view of the continued trading losses of the company further finance was required to provide the necessary working capital for the company's business. Successful negotiations have taken place with the company's bankers and the immediate holding company has agreed to provide the company with such funds as necessary for the company to continue to trade for the foreseeable future.

On 30 March 1992 the company increased its authorised share capital by the creation of 2 million 6% non-cumulative preference shares of £1 each. On the same date EJI Limited, the company's immediate holding company, subscribed for 1,826,010 shares at par in consideration for the discharge of an equivalent amount due to it.

ACQUISITION OF SHARES

On 31 March 1992, the company's ordinary share capital was acquired by Essoldo Entertainments Limited, a company registered in England. Prophold Limited continues to be a subsidiary undertaking of the ultimate parent holding company, Pomoso (Overseas) Limited.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company has continued to hold and develop properties for resale. However, due to the depressed state of the property market in the South East, some properties have been let on short term tenancies in order to try and cover some of the company's administrative expenses.

An exceptional provision of £290,724 (1990 £196,844) was made during the period to write down the carrying value of stocks to their estimated net realisable value.

RESULTS AND DIVIDEND

The results for the eighteen months ended 31 March 1992 are set out in the Profit and Loss Account on Page 4.

The loss for the period after taxation was £528,389 (year ended 30 September 1990 loss £599,975).

The directors do not propose the payment of a dividend. (1990 £Nil).

PROPHOLD LIMITED
REPORT OF THE DIRECTORS

(continued)

FUTURE DEVELOPMENTS

The company intends to sell all of its remaining properties in the near future.

DIRECTORS

The directors of the company during the eighteen months ended 31 March 1992 were as follows:


H Lambert
P S Donert - resigned 10 November 1993

Neither of the directors who served during the eighteen months ended 31 March 1992 held any interest in the shares of the company.

AUDITORS

On 10 December 1993, KPMG Peat Marwick resigned and the directors appointed Meredith Thomas to fill the vacancy thus created. In accordance with Section 385 of the Companies Act 1985 a resolution concerning the re-appointment of Meredith Thomas as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



T H HATHERILL

SECRETARY

119/120 High Street
Stourbridge
West Midlands

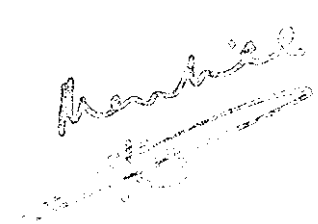
26 January 1994

REPORT OF THE AUDITORS' TO THE MEMBERS OF

PROPHOLD LIMITED

We have audited the financial statements on Pages 4 to 13 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 March 1992 and of its loss and cash flow statement for the eighteen months then ended and have been properly prepared in accordance with the Companies Act 1985.



Meredith Thomas
Chartered Accountants
and Registered Auditor

112 Coventry Street
Kidderminster
Worcestershire
DY10 2BJ

26 January 1994

PROPHOLD LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE EIGHTEEN MONTHS ENDED 31 MARCH 1992

		18 months ended 31 March 1992	18 months ended 30 September 1990
	<u>Note</u>	<u>£</u>	<u>£</u>
Turnover	1	579,910	113,549
Cost of Sales		<u>(531,859)</u>	<u>(69,533)</u>
Gross Profit		48,051	44,016
Administrative Expenses		<u>(10,662)</u>	<u>(19,912)</u>
Trading Profit		37,389	24,104
Interest Receivable	5	763	87
Interest Payable and Similar Charges	6	<u>(275,817)</u>	<u>(427,322)</u>
Loss before Exceptional Item		(237,665)	(403,131)
Exceptional Item	8	<u>(290,724)</u>	<u>(196,844)</u>
Retained Loss on Ordinary Activities before and after Taxation	2 - 4	(528,389)	(599,975)
Retained Losses Brought Forward		<u>(1,167,878)</u>	<u>(567,903)</u>
Retained Losses Carried Forward		<u>£(1,696,267)</u>	<u>£(1,167,878)</u>

There are no gains or losses recognised in these financial statements other than those through the Profit and Loss Account.

The Notes on Pages 7 to 13 form part of these financial statements.

PROPHOLD LIMITED

BALANCE SHEET

31 MARCH 1992

	<u>Note</u>	<u>£</u>	<u>31 March 1992</u>	<u>£</u>	<u>30 September 1990</u>
					<u>£</u>
<u>Fixed Assets</u>					
Tangible Assets	9		-		515
<u>Current Assets</u>					
Stocks	10		1,039,080		1,783,891
Debtors	11		12,610		19,126
Cash at Bank and in Hand			-		<u>377</u>
			1,051,690		1,803,394
Creditors: amounts falling due within one year	12		<u>(70,254)</u>		<u>(736,510)</u>
Net Current Assets			981,436		1,066,884
Total Assets less Current Liabilities			981,436		1,067,399
Creditors: amounts falling due after more than one year	13		<u>(841,693)</u>		<u>(2,225,277)</u>
Net Assets/(Liabilities)			<u>£139,743</u>		<u>£(1,157,878)</u>
<u>Capital and Reserves</u>					
Called up Share Capital	14		1,836,010		10,000
Profit and Loss Account			<u>(1,696,267)</u>		<u>(1,167,878)</u>
			£139,743		£(1,157,878)

Approved by the Board of Directors on 26 January 1994 and signed on its behalf by:

.....
DIRECTOR

The Notes on Pages 7 to 13 form part of these financial statements.

PROPHOLD LIMITED

CASH FLOW STATEMENT

FOR THE EIGHTEEN MONTHS ENDED 31 MARCH 1992

	<u>Note</u>	<u>18 months to 31.3.92</u> £	<u>18 months to 30.9.90</u> £
NET CASH FLOW FROM OPERATING ACTIVITIES	16	202,604	(443,814)
INVESTING ACTIVITIES			
Receipts from sales of Tangible Fixed Assets		515	50
		<hr/> 515	<hr/> 50
		203,119	(443,764)
FINANCING ACTIVITIES			
Issue of Preference Shares		1,826,010	-
Bank Loan		-	(128,800)
Funds from immediate Holding Company		<u>(1,383,584)</u>	<u>634,000</u>
		<hr/> 442,426	<hr/> 505,200
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<hr/> £645,545	<hr/> £61,436

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1992

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation of Financial Statements

The financial statements of the company have been prepared under the historical cost convention and in accordance with the provisions of the Companies Act 1985, and include the results of the principal activity described in the Directors' Report which is continuing.

The financial statements have been prepared in accordance with applicable accounting standards.

Turnover

Turnover represents rental income receivable from properties let out on short term tenancies, and also income derived from properties held in stock for ultimate resale.

Stock

Stock consists of properties for resale. Stock is valued at the lower of cost and net realisable value. In the case of properties acquired for development purposes, cost includes interest charged on monies raised to finance the purchase and development in respect of the period prior to the property being available for resale.

Fixed Assets and Depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office equipment and furnishings - 5 years.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probably that an actual liability will crystallise.

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1992

(continued)

2. ANALYSIS OF TURNOVER AND (LOSS)/PROFIT ON
ORDINARY ACTIVITIES BEFORE TAXATION

	<u>18 months to 31 March 1992</u>		<u>18 months to 30 September 1990</u>	
	<u>Turnover</u>	<u>Attributable pre-tax (loss)/profit</u>	<u>Turnover</u>	<u>Attributable pre-tax profit/(loss)</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Developed				
Properties	475,000	-	-	-
Furnishings	-	-	50	-
Rental Income	<u>104,910</u>	<u>48,051</u>	<u>113,499</u>	<u>44,016</u>
	<u>£579,910</u>	<u>48,051</u>	<u>£113,549</u>	<u>44,016</u>
Unallocated				
administrative				
expenses		(10,662)		(19,912)
Other operating				
income and				
interest receivable		763		87
Interest payable		(275,817)		(427,322)
Exceptional Item		<u>(290,724)</u>		<u>(196,844)</u>
		<u>£(528,389)</u>		<u>£(599,975)</u>

The turnover and (loss)/profit before taxation arise from the company's activities as a property holding company within the United Kingdom.

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/profit on ordinary activities before taxation is stated after charging the following:

	<u>18 months to 31 March 1992</u>	<u>18 months to 30 September 1990</u>
	<u>£</u>	<u>£</u>
Auditors' Remuneration	2,500	3,500
Depreciation	<u>-</u>	<u>514</u>

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1992

(continued)

4. DIRECTORS' EMOLUMENTS

The emoluments of the chairman amounted to £Nil (1990 £Nil). The other director did not receive any emoluments for his services to the company. There were no other employees, other than the directors.

5. INTEREST RECEIVABLE

	18 months to 31 March 1992 £	18 months to 30 September 1990 £
Interest on late completion monies	605	-
Interest on rent arrears	158	87
	£763	£87

6. INTEREST PAYABLE AND SIMILAR CHARGES

	18 months to 31 March 1992 £	18 months to 30 September 1990 £
On bank loans, overdrafts and other loans wholly repayable within five years	89,119	199,032
On bank loans repayable after five years	147,399	177,742
On other loans repayable after five years	39,299	50,548
	£275,817	£427,322

7. TAXATION

There is no corporation tax liability in respect of the period under review (1990 £Nil) due to losses brought forward from previous years.

8. EXCEPTIONAL ITEM

The exceptional item relates to a provision to write down the carrying value of stocks to estimated net realisable value.

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1992

(continued)

9. <u>TANGIBLE FIXED ASSETS</u>		Office Furniture and Equipment	
<u>Cost</u>		<u>£</u>	
At 1 October 1990		1,714	
Disposals		(1,714)	
At 31 March 1992		£ -	
<u>Depreciation</u>			
At 1 October 1990		1,199	
Charge for period		-	
Disposals		(1,199)	
At 31 March 1992		£ -	
<u>Net Book Amount</u>			
At 31 March 1992		£ -	
At 30 September 1990		£515	
10. <u>STOCKS</u>		31 March 1992	30 September 1990
		<u>£</u>	<u>£</u>
Properties held for resale:			
Purchase consideration and related costs	1,216,307		1,562,243
Development and other costs	53,667		242,139
Cost of finance	11,351		67,652
Cost of furnishings	69,388		101,621
Land held for development	7,080		7,080
		1,357,793	1,980,735
Less: Net realisable value provision		(318,713)	(196,844)
		£1,039,080	£1,783,891
11. <u>DEBTORS</u>		31 March 1992	30 September 1990
		<u>£</u>	<u>£</u>
Amounts due within one year:			
Trade debtors	2,932		4,103
Amounts owed by group companies	-		1,351
Prepayments and accrued income	9,678		13,672
		£12,610	£19,126

(continued)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 March</u> <u>1992</u> <u>£</u>	<u>30 September</u> <u>1990</u> <u>£</u>
Bank loans and overdrafts	51,584	697,506
Trade creditors	2,902	3,852
Accruals and deferred income	<u>15,768</u>	<u>35,152</u>
	<u>£70,254</u>	<u>£736,510</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>31 March</u> <u>1992</u> <u>£</u>	<u>30 September</u> <u>1990</u> <u>£</u>
Bank loans	644,031	644,031
Amount owed to immediate holding company	7,639	1,391,246
Amount owed to ultimate holding company	23	-
Other loans	<u>190,000</u>	<u>190,000</u>
	<u>£841,693</u>	<u>£2,225,277</u>

Bank loans include the following amounts:

<u>Repayable on or before</u>	<u>Amount</u> <u>£</u>	<u>Rate of interest</u>
31 December 1997	644,031	2½% over base rate

This loan is secured by legal charges over properties held by the company. The repayment terms of this loan are subject to review in April 1994.

Other loans comprise an amount of £190,000 which is repayable in one instalment on 12 December 1998, and is secured over a legal charge in respect of Flat 35, Trinity Court, London W.2.

The amount due to the immediate holding company and ultimate holding company is unsecured and is not subject to any specific repayment terms.

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1992

(continued)

14. CALLED UP SHARE CAPITAL

	<u>31 March 1992</u>	<u>30 September 1990</u>
	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	500,000	10,000
Preference shares of £1 each	<u>2,000,000</u>	<u>1,826,010</u>
	<u>£2,500,000</u>	<u>£1,836,010</u>

On 30 March 1992 the company increased its authorised share capital by the creation of 2 million 6% non-cumulative preference shares of £1 each. On the same date EJI Limited, the company's immediate holding company, subscribed for 1,826,010 shares at par in consideration for the discharge of an equivalent amount due to it.

15. ULTIMATE HOLDING COMPANY

At 31 March 1992 the company was a wholly owned subsidiary of Essoldo Entertainments Limited, a company registered in England. In the opinion of the directors, the ultimate holding company is Pomoso (Overseas) Limited, a company incorporated in Jersey, Channel Islands.

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1992

(continued)

16. NOTES TO CASH FLOW STATEMENT

<u>NOTES TO CASH FLOW STATEMENT</u>		18 months to 30 March 1992 <u>£</u>	18 months to 30 September 1990 <u>£</u>
a) Reconciliation of operating profit to net cash flow from operating activities			
Operating loss		(528,389)	(599,975)
Depreciation			514
Loss on disposal of tangible fixed assets		-	82
Exceptional stock write down		-	196,844
Decrease/(Increase) in stocks	744,811		(4,436)
Decrease/(Increase) in debtors	6,516		(9,768)
(Decrease)/Increase in creditors	<u>(20,334)</u>		<u>(27,075)</u>
		202,604	(443,814)
b) Analysis of changes in cash and cash equivalents during the year			
Balance 1 October 1990		(697,129)	(758,565)
Net cash flow		<u>645,545</u>	<u>61,436</u>
Balance 31 March 1992		<u>(51,584)</u>	<u>(697,129)</u>
c) Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet			
	<u>1992</u>	<u>1990</u>	<u>Change in Year</u>
Cash balances	<u>£(51,584)</u>	<u>£697,129</u>	<u>£(51,961)</u>
Cash in Hand	-	377	(377)
Bank Loans and Overdrafts	<u>(51,584)</u>	<u>(697,506)</u>	<u>645,922</u>
	<u>£(51,584)</u>	<u>£(697,129)</u>	<u>£645,545</u>

PROPHOLD LIMITED

DETAILED TRADING ACCOUNT

FOR THE EIGHTEEN MONTHS ENDED 31 MARCH 1992

	18 months to 31 March 1992	18 months to 30 September 1990
	£	£
Turnover	579,910	113,549
Cost of sales	(531,859)	(69,533)
Gross Profit	48,051	44,016
<u>Administrative Expenses</u>		
Rent	-	2,178
Travelling and entertaining	-	600
Bank charges	1,329	935
Loss on disposal of fixed assets	-	82
General expenses	4,111	1,178
Audit and accountancy	4,440	5,175
Office expenses	682	2,386
Insurance	100	1,150
Depreciation	-	514
Professional fees	-	2,122
Repairs	-	2,948
Bad debts	-	644
	(10,662)	(19,912)
<u>Trading Profit</u>	<u>£37,389</u>	<u>£24,104</u>