

'REGISTRAR OF COMPANIES'

PROPHOLD LIMITED

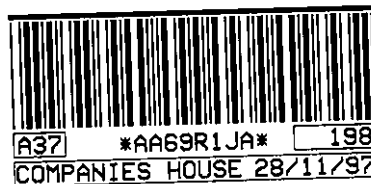
COMPANY NUMBER 1876080

(ENGLAND AND WALES)

FINANCIAL STATEMENTS

31 MARCH 1996

Meredith Thomas  
Chartered Accountants  
and Registered Auditor  
Kidderminster



PROPHOLD LIMITED  
FINANCIAL STATEMENTS  
31 MARCH 1996

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PROPHOLD LIMITED  
REPORT OF THE DIRECTOR  
COMPANY NUMBER 1876080

The director submits his annual report and financial statements for the year ended 31 March 1996.

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.

RESULTS AND DIVIDEND

The results for the year ended 31 March 1996 are set out in the Profit and Loss Account on Page 4.

The profit for the year after taxation was £49,547 (1995 loss £35,544).

The director does not propose the payment of a dividend. (1995 £Nil).

FUTURE DEVELOPMENTS

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

DIRECTORS

The director of the company during the year ended 31 March 1996 was as follows:

H Lambert                -    resigned 30 June 1997

The director who served during the year ended 31 March 1996 held no interest in any of the shares of the company.

J S Refson was appointed on 30 June 1997.

PROPHOLD LIMITED

REPORT OF THE DIRECTOR

(continued)

DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 director is required to

- 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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

Meredith Thomas will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

The Director's 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



CAVERSHAM SECRETARIES LIMITED

7 Market Street  
Stourbridge  
West Midlands  
DY8 1AB

17 November 1997

AUDITORS' REPORT  
TO THE MEMBERS OF  
PROPHOLD LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on Page 7.

Respective responsibilities of directors and auditors

As described on Page 2 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 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

112 Coventry Street  
Kidderminster  
Worcestershire  
D10 2BJ



Meredith Thomas  
Chartered Accountants  
and Registered Auditor

17 November 1997

PROPHOLD LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1996

	<u>Note</u>	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Turnover	1 & 2	81,362	412,163
Cost of Sales		<u>(20,770)</u>	<u>(458,453)</u>
Gross Profit/(Loss)		60,592	(46,290)
Administrative Expenses		<u>(9,572)</u>	<u>(13,132)</u>
Operating Profit/(Loss)	3	51,020	(59,422)
Exceptional Item	5	<u>-</u>	<u>81,922</u>
Profit after Exceptional Item and before Interest		51,020	22,500
Interest Payable and Similar Charges	6	<u>(1,473)</u>	<u>(58,044)</u>
Retained Profit/(Loss) on Ordinary Activities before taxation		49,547	(35,544)
Taxation	7	<u>-</u>	<u>-</u>
Retained Profit/(Loss) on Ordinary Activities after taxation		49,547	(35,544)
Retained Losses Brought Forward		<u>(1,883,767)</u>	<u>(1,848,223)</u>
Retained Losses Carried Forward		<u>£(1,834,220)</u>	<u>£(1,883,767)</u>

None of the company's activities were acquired or discontinued during the above two financial years.

The Profit and Loss Account contains all the gains and losses recognised in the current and preceding years and the profit/loss retained in those years represents the only movement in shareholders funds.

The profit/loss on ordinary activities before taxation and the retained profit/loss have been calculated on the historical cost basis.

The Notes on Pages 7 to 12 form part of these financial statements.

PROPHOLD LIMITED

BALANCE SHEET

31 MARCH 1996

	Note	1996 £	1995 £
<u>Current Assets</u>			
Stocks	8	750,882	695,360
Debtors	9	17,580	5,878
Cash at Bank		<u>35,643</u>	<u>7,875</u>
		804,105	709,113
Creditors: amounts falling due within one year	10	<u>(14,446)</u>	<u>(26,117)</u>
Net Current Assets		789,659	682,996
Total Assets less Current Liabilities		789,659	682,996
Creditors: amounts falling due after more than one year	11	<u>(787,869)</u>	<u>(730,753)</u>
NET ASSETS/(LIABILITIES)		<u>£1,790</u>	<u>£(47,757)</u>
<u>Capital and Reserves</u>			
Called up Share Capital	12	1,836,010	1,836,010
Profit and Loss Account		<u>(1,834,220)</u>	<u>(1,883,767)</u>
SHAREHOLDERS FUNDS		<u>£1,790</u>	<u>£(47,757)</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 17 November 1997 and signed on its behalf.

.....  
J S REFSO - DIRECTOR

The Notes on Pages 7 to 12 form part of these financial statements.

PROPHOLD LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1996

	<u>Note</u>	<u>£</u>	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	14		(27,875)	350,017
SERVICING OF FINANCE				
Interest paid			<u>(1,473)</u>	<u>(58,044)</u>
			<u>(29,348)</u>	<u>291,973</u>
FINANCING ACTIVITIES				
Repayment of Bank and Other Loans			-	(834,031)
Funds from immediate Holding Company			<u>57,116</u>	<u>571,100</u>
			<u>57,116</u>	<u>(262,931)</u>
INCREASE IN CASH AND CASH EQUIVALENTS			<u>£27,768</u>	<u>£29,042</u>



PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1996

1. ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The financial statements of the company have been prepared under the historical cost convention and include the results of the principal activity described in the Director's Report which is continuing.

Compliance with Accounting Standards

The financial statements have been prepared in accordance with applicable accounting standards and are in accordance with the Companies Act 1985.

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 and undeveloped land. Stock is valued at the lower of cost and net realisable value.

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 1996

(continued)

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

	<u>1996</u>		<u>1995</u>	
	<u>Turnover</u>	<u>Attributable pre-tax profit/(loss)</u>	<u>Turnover</u>	<u>Attributable pre-tax (loss)/profit</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Developed Properties	-	-	348,324	(73,903)
Rental Income	<u>81,362</u>	<u>60,592</u>	<u>63,839</u>	<u>27,613</u>
	<u>£81,362</u>	<u>60,592</u>	<u>£412,163</u>	<u>(46,290)</u>
Unallocated administrative expenses		(9,572)		(13,132)
Interest payable		(1,473)		(58,044)
Exceptional Item		<u>-</u>		<u>81,922</u>
		<u>£49,547</u>		<u>£(35,544)</u>

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

3. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging the following:

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Auditors' Remuneration	<u>2,350</u>	<u>2,350</u>

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1996

(continued)

4. DIRECTORS' EMOLUMENTS

The emoluments of the director amounted to £Nil (1995 £Nil). There were no other employees.

5. EXCEPTIONAL ITEM

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

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
On bank loans, overdrafts and other loans wholly repayable within five years	<u>£1,473</u>	<u>£58,044</u>

7. TAXATION

There is no corporation tax liability in respect of the year under review (1995 £Nil) due to losses brought forward from previous years.

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1996

(continued)

8. STOCKS

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Properties held for resale:		
Purchase consideration and related costs	949,071	895,549
Cost of furnishings	61,521	59,521
Land held for development	<u>7,080</u>	<u>7,080</u>
	1,017,672	962,150
Less: Net realisable value provision	<u>(266,790)</u>	<u>(266,790)</u>
	<u>£750,882</u>	<u>£695,360</u>

9. DEBTORS

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Amounts due within one year:		
Trade debtors	1,543	5,538
Prepayments and accrued income	<u>1,387</u>	<u>340</u>
	2,930	5,878
Amounts due after more than one year		
Trade debtors	<u>14,650</u>	<u>-</u>
	<u>£17,580</u>	<u>£5,878</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Trade creditors	4,036	6,208
Accruals and deferred income	<u>10,410</u>	<u>19,909</u>
	<u>£14,446</u>	<u>£26,117</u>

PROPHOLD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 1996

(continued)

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

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Amount owed to immediate holding company	<u>£787,869</u>	<u>£730,753</u>

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

12. CALLED UP SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
Ordinary shares of £1 each	500,000	500,000
Preference shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>
	<u>£2,500,000</u>	<u>£2,500,000</u>
<u>Allotted, called up and fully paid</u>		
Ordinary shares of £1 each	10,000	10,000
Preference shares of £1 each	<u>1,826,010</u>	<u>1,826,010</u>
	<u>£1,836,010</u>	<u>£1,836,010</u>

13. ULTIMATE HOLDING COMPANY

At 31 March 1996 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 1996

(continued)

14. NOTES TO CASH FLOW STATEMENT

<u>NOTES TO CASH FLOW STATEMENT</u>	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>	
a) Reconciliation of operating profit to net cash flow from operating activities			
Operating profit	51,020	22,500	
(Increase)/Decrease in stocks	(55,522)	319,499	
(Increase)/Decrease in debtors	(11,702)	3,156	
(Decrease)/Increase in creditors	<u>(11,671)</u>	<u>4,862</u>	
	<u>(27,875)</u>	<u>350,017</u>	
b) Analysis of changes in cash and cash equivalents during the year			
Balance 31 March 1995	7,875	(21,167)	
Net cash flow	<u>27,768</u>	<u>29,042</u>	
Balance 31 March 1996	<u>35,643</u>	<u>7,875</u>	
c) Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet			
	<u>1996</u>	<u>1995</u>	<u>Change in</u> <u>Year</u>
Cash balances	<u>£35,643</u>	<u>£7,875</u>	<u>£27,768</u>