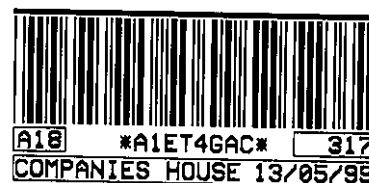


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**CARIOCCA ENTERPRISES
(MANCHESTER) LIMITED
FINANCIAL STATEMENTS
30 NOVEMBER 1998**

Company Registration Number 02055002



CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Auditors' report to the members	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

S Avery
A Bell
L A Da-Cocodia
R De
A Durrant
F D J Frederick
J Gibson
N H Mahon
C S Malabre
S Mohindra
P Sturrock
A Thompson

Company secretary

C S Malabre

Registered office

Cariocca Enterprise Park
2 Hellidon Close
Ardwick
Manchester
M12 4AH

Auditors

Chittenden Horley
Chartered Accountants & Registered Auditors
Charlotte House
30 Dudley Road
Manchester
M16 8 DT

Bankers

National Westminster Bank Plc
280 Claremont Road
Moss Side
Manchester
M14 4EP

Citibank International Plc
Global Consumer Banking
PO Box 5350
Hammersmith Grove
London
W6 0WT

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 NOVEMBER 1998

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 November 1998.

PRINCIPAL ACTIVITIES

The principal activity of the company is to undertake programmes, projects and schemes for the benefit of the community of the inner city areas of Manchester. It achieves this through the operation of managed workspace at the Cariocca Enterprise Park and the provision of office services to its tenants.

DIRECTORS

The directors who served the company during the period were as follows:

S Avery	
A Bell	DWSR - Finance
L A Da-Cocodia	
R De	
F D J Frederick	Chair
J Gibson	
N H Mahon	DWSR - Estates
C S Malabre	
S Mohindra	
P Sturrock	
A Thompson	DWSR - Marketing
A Durrant	(Appointed 17 Dec 97)
	DWSR - Human Resources
B Luckham	(Retired 17 Dec 97)

DWSR - Director with special responsibility for

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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.

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 NOVEMBER 1998

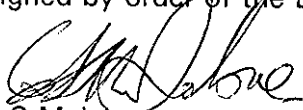
AUDITORS

A resolution to re-appoint Chittenden Horley as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed by order of the Board



C S Malabre
Company Secretary

March 17 1999

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

AUDITORS' REPORT TO THE MEMBERS

YEAR ENDED 30 NOVEMBER 1998

We have audited the financial statements on pages 5 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 2, 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.

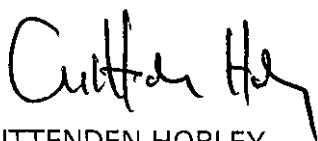
BASIS OF OPINION

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 company's state of affairs as at 30 November 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.



CHITTENDEN HORLEY
Chartered Accountants
& Registered Auditors

Charlotte House
30 Dudley Road
Manchester
M16 8 DT

Date May 7 1999

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 NOVEMBER 1998

	Note	1998 £	1997 £
TURNOVER		302,755	263,268
Cost of sales		24,798	21,984
GROSS PROFIT		277,957	241,284
Administrative expenses		252,657	218,457
Other operating income		(780)	-
OPERATING PROFIT	2	26,080	22,827
Interest receivable		9,674	9,008
Interest payable and similar charges		(1,699)	(1,298)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		34,055	30,537
Tax on profit on ordinary activities	3	6,443	(1,236)
RETAINED PROFIT FOR THE FINANCIAL YEAR		27,612	31,773
Balance brought forward		72,161	40,388
Balance carried forward		99,773	72,161

The notes on pages 7 to 11 form part of these financial statements.

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

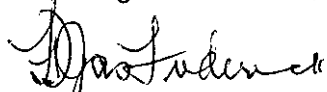
BALANCE SHEET

30 NOVEMBER 1998

	Note	1998		1997	
		£	£	£	£
FIXED ASSETS					
Tangible assets	4		1,781,486		1,801,244
CURRENT ASSETS					
Debtors	5	11,357		10,954	
Cash at bank and in hand		199,124		143,361	
		210,481		154,315	
CREDITORS: Amounts falling due within one year	6	(123,261)		(95,288)	
NET CURRENT ASSETS			87,220		59,027
TOTAL ASSETS LESS CURRENT LIABILITIES			1,868,706		1,860,271
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	7		(939)		(1,120)
ACCRUALS & DEFERRED INCOME					
Capital grants	8		(1,767,994)		(1,786,990)
			99,773		72,161
RESERVES	11				
Profit and loss account			99,773		72,161
MEMBERS' FUNDS			99,773		72,161

These accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities.

These financial statements were approved by the directors on March 17 1999 and are signed on their behalf by:



F D J FREDERICK - DIRECTOR

The notes on pages 7 to 11 form part of these financial statements.

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	- 1% straight line over the life of the lease
Security Equipment	- 20% reducing balance
Fixtures & Fittings	- 20% reducing balance

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Grants

Government grants on capital expenditure are credited to a deferred income account and are released to revenue over the expected useful life of the relevant asset in proportion to the depreciation charged.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1998 £	1997 £
Directors' emoluments	-	-
Staff pension contributions	1,354	-
Amortisation of government grants	-	19,347
Amortisation of government grants re fixed assets	(18,996)	(19,347)
Depreciation	20,680	21,387
Auditors' fees	1,600	1,521

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
In respect of the year:		
Corporation tax based on the results for the year at 21% (1997 - 23%)	7,700	7,400
Decrease in deferred tax provision (Note 7):		
Capital allowances	(181)	1,120
	<u>7,519</u>	<u>8,520</u>
Adjustment in respect of previous years:		
Corporation tax	(1,076)	(8,516)
	<u>6,443</u>	<u>4</u>

4. TANGIBLE FIXED ASSETS

	Leasehold Property £	Security Equipment £	Fixtures & Fittings £	Total £
COST				
At 1 December 1997	1,941,631	22,876	27,466	1,991,973
Additions	-	-	922	922
Disposals	-	-	(435)	(435)
At 30 November 1998	<u>1,941,631</u>	<u>22,876</u>	<u>27,953</u>	<u>1,992,460</u>
DEPRECIATION				
At 1 December 1997	153,456	14,864	22,409	190,729
Charge for the year	17,882	1,602	1,196	20,680
On disposals	-	-	(435)	(435)
At 30 November 1998	<u>171,338</u>	<u>16,466</u>	<u>23,170</u>	<u>210,974</u>
NET BOOK VALUE				
At 30 November 1998	<u>1,770,293</u>	<u>6,410</u>	<u>4,783</u>	<u>1,781,486</u>
At 30 November 1997	<u>1,788,175</u>	<u>8,012</u>	<u>5,057</u>	<u>1,801,244</u>

5. DEBTORS

	1998 £	1997 £
Trade debtors	4,376	6,956
Other debtors	6,981	3,998
	<u>11,357</u>	<u>10,954</u>

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

6. CREDITORS: Amounts falling due within one year

	1998		1997
	£	£	£
Trade creditors		7,080	863
Other creditors including:			
Corporation tax	7,700		7,400
Other taxes and social security	9,987		8,318
Manchester City council – rent	43,854		22,830
Maintenance fund accrual	10,500		7,000
Tenants deposits	30,403		28,032
		102,443	73,580
Accruals and deferred income		13,738	20,845
		<u>123,261</u>	<u>95,288</u>

7. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	1998	1997
	£	£
Provision brought forward	1,120	-
(Decrease)/Increase in provision	(181)	1,120
Provision carried forward	<u>939</u>	<u>1,120</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	1998	1997
	£	£
Excess of taxation allowances over depreciation on fixed assets	939	1,120
	<u> </u>	<u> </u>

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

8. CAPITAL GRANTS

	1998 £	1997 £
At 1 December 1997	1,786,990	1,806,337
Released to profit & loss account	18,996	19,347
	<hr/>	<hr/>
Net balance at 30 November 1998	1,767,994	1,786,990
	<hr/>	<hr/>

9. COMMITMENTS UNDER OPERATING LEASES

At 30 November 1998 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	1998 £	1997 £
Operating leases which expire: After more than 5 years	42,500	42,500
	<hr/>	<hr/>

In addition to the basic rent of £42,500 the company is committed to paying an additional variable rent depending on the level of its profits. The variable rent is calculated using the profit before basic rent and corporation tax and after adjusting for certain expenses and income. The rate of variable rent is set at 50% of the profit, as adjusted, over £50,000. The basic rent is subject to review every 5 years.

10. RELATED PARTY TRANSACTIONS

One of the Company's tenants is Mrs Zippy, a firm run by Mrs Frederick, whose husband is a director of the Company. The unit is let on normal commercial terms at arms length at a monthly rent of £128 (including VAT). Mr Frederick takes no part in decisions relating to the rent level of this unit.

The following directors are all directors of Cariocca Training Limited, a registered charity which rents premises from the company on normal commercial terms at £316 per month. The directors in common are, Bell, Da-Cocodia, Frederick, Mahon, Malabre and Sturrock. The directors do not receive any personal benefit from this transaction.

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 1998

11. COMPANY LIMITED BY GUARANTEE

The Company is limited by guarantee and does not have a share capital. In the event of winding up the members are committed to contributing one pound each. At the year-end there were 12 members (1997 12).

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 30 NOVEMBER 1998

**The following pages do not form part of the statutory financial statements
which are the subject of the auditors' report on page 4.**

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED**DETAILED PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 NOVEMBER 1998**

	1998		1997	
	£	£	£	£
TURNOVER		302,755		263,268
COST OF SALES				
Electricity		24,798		21,984
GROSS PROFIT		277,957		241,284
OVERHEADS				
Administrative staff salaries	58,417		51,869	
Staff NIC	4,989		3,976	
Staff pension contributions	1,354		-	
Rent & rates	70,001		57,638	
Light and heat	1,400		1,300	
Insurance	8,858		9,156	
Repairs and maintenance	13,754		15,915	
Landscaping	-		103	
Cleaning	5,961		2,034	
Skip Hire	6,357		5,734	
Security costs	28,693		31,884	
Travel and subsistence	954		931	
Telephone	3,068		1,344	
Office equipment repairs	2,701		3,013	
Postage	3,510		2,406	
Printing, stationery and postage	3,104		2,672	
Staff training	2,299		333	
Temporary staff	9,108		7,087	
Other administration costs	7,871		3,496	
General expenses	(1)		-	
Advertising	6,960		2,251	
Legal and professional fees	3,615		-	
Book-keeping charges	2,688		5,580	
Accountancy fees	1,316		919	
Auditors remuneration	1,600		1,521	
Depreciation	20,680		21,387	
Capital grant released	(18,996)		(19,347)	
Bad debts written off	471		4,179	
Operating lease: Equipment	758		-	
Bank charges	1,167		1,076	
		252,657		218,457
		25,300		22,827
OTHER OPERATING INCOME				
Revenue grant		780		-
OPERATING PROFIT		26,080		22,827
Carried forward		26,080		22,827

CARIOCCA ENTERPRISES (MANCHESTER) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 NOVEMBER 1998

	1998	1997
	£	£
Brought forward	26,080	22,827
Bank interest receivable	<u>9,674</u>	<u>9,008</u>
	35,754	31,835
Interest payable and similar charges	<u>1,699</u>	<u>1,298</u>
PROFIT ON ORDINARY ACTIVITIES	<u>34,055</u>	<u>30,537</u>

NOTES:

INTEREST PAYABLE AND SIMILAR CHARGES

Interest on profit rent	1,683	466
Bank interest payable	16	26
Interest & penalties on tax paid late	-	806
	<u>1,699</u>	<u>1,298</u>