

O M MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE ELEVEN MONTHS ENDED 31 MAY 1998

COMPANY REG. NO. 2061041

CHANDREY VEILACOTT



O M Management Services Limited

DIRECTORS' REPORT for the eleven months ended 31 May 1998

The directors present their report and the financial statements of the Company for the eleven months ended 31 May 1998.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the management of residential and commercial property developments as agents to landlords, developers or resident controlled management companies.

The directors are pleased to report a continuing increase in the number of schemes being administered, and the coming year's prospects are viewed with optimism.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £5,758 (year ended 30 June 1997 : £82,910). An interim dividend of £59,046 is to be paid to shareholders on the register at 16 March 1998. The directors recommend the payment of a final dividend of £33,761.

DIRECTORS AND THEIR INTERESTS

The directors during the period, who are not also directors of the ultimate parent undertaking, and their interests in the share capital of Peverel Holdings Limited, were as follows :-

	"C" Ordinary 1p shares 31 May 1998	"C" Ordinary 1p shares 30 June 1997
N G Bannister (appointed 17 March 1998)	100	100
M L Dalby (appointed 17 March 1998)	nil	nil
K C Rutherford (appointed 17 March 1998)	nil	nil
D A Billson	nil	nil
T Holland	nil	nil
H E Cornforth	nil	nil
A E Billson	nil	nil
D J Bowie	nil	nil

Additionally T Holland and H E Cornforth and their families had the following interests in the share capital of O M Limited as follows:

		31 May 1998	Shares of £1 each 1 July 1997
		Number	Number
T Holland	- beneficial	nil	2,000 "A" Ordinary
	- beneficial	nil	1,000 "C" Ordinary
	- as trustee	nil	2,000 "E" Ordinary
	- as trustee	nil	2,000 "F" Ordinary
H E Cornforth	- beneficial	nil	2,000 "B" Ordinary
	- beneficial	nil	1,000 "D" Ordinary
	- as trustee	nil	2,000 "E" Ordinary
	- as trustee	nil	2,000 "F" Ordinary

The above shareholdings as trustees include the holdings of trusts in which both directors are trustees.

D A Billson held an interest of 25 shares in the Company at 30 June 1997. This holding was acquired by O M Limited on 16 March 1998. No director had an interest in the ordinary shares of the Company at 31 May 1998.

Other than the above no director had an interest in the share capital of any other group company.

DIRECTORS' REPORT for the eleven months ended 31 May 1998 (continued)

Year 2000 compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and 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. The operation of our business depends not only on our computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

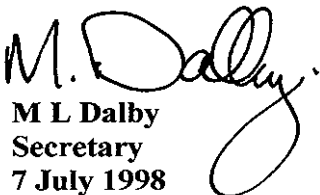
The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

The cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer hardware and software is immaterial.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution to re-appoint Chantrey Vellacott as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


M L Dalby
Secretary
7 July 1998

Registered Office
Queensway House
11 Queensway
New Milton
Hampshire
BH25 5NR

STATEMENT OF 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 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
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

O M Management Services Limited

REPORT OF THE AUDITORS

to the members of O M Management Services 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 3 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 May 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



CHANTREY VELLACOTT
Chartered Accountants
Registered Auditors
NORTHAMPTON
7 July 1998

O M Management Services Limited

PROFIT AND LOSS ACCOUNT for the eleven months ended 31 May 1998

	<i>Notes</i>	<i>Eleven months ended 31 May 1998</i>	<i>Year ended 30 June 1997</i>
TURNOVER	(2)	857,726	750,733
Administrative expenses		(919,553)	(649,215)
		<hr/>	<hr/>
OPERATING (LOSS)PROFIT		(61,827)	101,518
Interest receivable		76,155	42,229
Interest payable	(3)	(5,784)	(4,324)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(4)	8,544	139,423
Tax on profit on ordinary activities	(7)	2,786	56,513
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,758	82,910
Dividends	(8)	92,807	65,529
		<hr/>	<hr/>
RETAINED (LOSS)PROFIT FOR THE PERIOD	(14)	£ (87,049)	£ 17,381
		<hr/> <hr/>	<hr/> <hr/>

The Company made no acquisitions and had no discontinued operations in both the current period and previous year.

There are no recognised gains or losses other than the profit for the year as reported above. There is also no difference between the profit on ordinary activities before taxation and the retained loss for the financial year stated above, and their historical cost equivalents.

A statement of movements on reserves is set out in note 14.

O M Management Services Limited

BALANCE SHEET
at 31 May 1998

	<i>Notes</i>	<i>31 May 1998</i>	<i>30 June 1997</i>
FIXED ASSETS			
Tangible assets	(9)	269,176	146,314
CURRENT ASSETS			
Debtors	(10)	285,234	139,170
Cash at bank and in hand		35,925	142,571
		<hr/>	<hr/>
		321,159	281,741
CREDITORS: Amounts falling due within one year	(11)	562,739	310,624
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(241,580)	(28,883)
		<hr/>	<hr/>
TOTAL ASSETS			
LESS CURRENT LIABILITIES		27,596	117,431
CREDITORS: Amounts falling due after more than one year	(12)	27,496	30,282
		<hr/>	<hr/>
		£ 100	£ 87,149
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	(13)	100	100
Profit and loss account	(14)	-	87,049
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	(15)	£ 100	£ 87,149
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 7 July 1998 and were signed on its behalf by:



N G Bannister
Managing Director
7 July 1998

NOTES TO THE FINANCIAL STATEMENTS for the eleven months ended 31 May 1998

(1) ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared on the historical cost basis of accounting.

Depreciation of tangible fixed assets

Depreciation is not charged on expenditure on assets not yet in use. Depreciation on other tangible fixed assets is charged so as to write off their full costs over their expected useful lives, at the following annual rates:

Fixtures and fittings	- 20% of cost per annum
Motor vehicles	- 33 $\frac{1}{3}$ % of cost per annum

Deferred taxation

The charge for taxation is based on the profit 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 probable that an actual liability will crystallise.

Hire purchase and lease transactions

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet, and are depreciated in accordance with the company's normal policy. The outstanding liabilities under such agreements less interest not yet due, are included in creditors. Interest on such agreements is charged to the profit and loss account equally over the term of each agreement.

Rentals under operating leases are charged to the profit and loss account as they fall due.

Pension schemes

The company contributes to employee pension arrangements, the assets of which are held separately from those of the company in independently administered funds. Contributions to these schemes are charged to the profit and loss account as they become payable.

(2) TURNOVER

Turnover represents the amounts receivable for services provided, stated net of value added tax. The turnover and the profit before taxation are wholly attributable to the principal activity of the company.

(3) INTEREST PAYABLE AND SIMILAR CHARGES

	Eleven months ended 31 May 1998	Year ended 30 June 1997
On hire purchase contracts	£ 5,784	£ 4,324
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS for the eleven months ended 31 May 1998

(4) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Eleven months ended 31 May 1998	Year ended 30 June 1997
	£	£
This is stated after charging or crediting:		
Depreciation	75,999	66,351
Profit on disposal of tangible fixed assets	12,104	-
Operating lease rentals - land and buildings	28,692	22,533
Auditors' remuneration	5,036	4,750
Directors' emoluments (note 6)	178,193	168,777
	<u> </u>	<u> </u>

(5) STAFF NUMBERS AND COSTS

	Eleven months ended 31 May 1998	Year ended 30 June 1997
a) Staff costs:		
Wages and salaries	360,083	279,381
Social security costs	34,583	26,613
Other pension costs	10,027	37,257
	<u> </u>	<u> </u>
	£ 404,693	£ 343,251
	<u> </u>	<u> </u>

- b) The average number of persons employed by the company during the period including executive directors was as follows:

	Number	Number
Management	5	5
Administration	15	4
Property maintenance	6	6
	<u> </u>	<u> </u>
	26	15
	<u> </u>	<u> </u>

O M Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS for the eleven months ended 31 May 1998

(6) DIRECTORS' EMOLUMENTS

	Eleven months ended 31 May 1998	Year ended 30 May 1997
Management remuneration	149,016	132,303
Company contributions to money purchase pension schemes	29,177	36,474
	<u> </u>	<u> </u>
	£ 178,193	£ 168,777
	<u> </u>	<u> </u>

Contributions totalling £23,207 (1997: £30,681) were payable at the period end and are included in creditors.

(7) TAX ON PROFIT ON ORDINARY ACTIVITIES

	Eleven months ended 31 May 1998	Year ended 30 June 1997
Corporation tax	2,648	56,505
Adjustment in respect of previous years	138	8
	<u> </u>	<u> </u>
	£ 2,786	£ 56,513
	<u> </u>	<u> </u>

(8) DIVIDENDS

	Eleven months ended 31 May 1998	Year ended 30 June 1997
Payable to equity shareholders:		
Proposed interim dividend payable to the shareholders on the register on 16 March 1998 (1997: Interim paid)	59,046	56,000
Proposed final	33,761	9,529
	<u> </u>	<u> </u>
	£ 92,807	£ 65,529
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS for the eleven months ended 31 May 1998

(9) TANGIBLE FIXED ASSETS

	Fixtures and fittings	Motor vehicles	Total
Cost			
At 1 July 1997	215,761	113,408	329,169
Additions	140,735	52,752	193,487
Transfers from fellow subsidiary undertakings	45,593	-	45,593
Disposals	(2,060)	(64,839)	(66,899)
	<hr/>	<hr/>	<hr/>
At 31 May 1998	400,029	101,321	501,350
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 July 1997	115,583	67,272	182,855
Provision for the period	47,409	28,590	75,999
Transfers from fellow subsidiary undertakings	24,072	-	24,072
Disposals	(607)	(50,145)	(50,752)
	<hr/>	<hr/>	<hr/>
At 31 May 1998	186,457	45,717	232,174
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 May 1998	£ 213,572	£ 55,604	£ 269,176
	<hr/>	<hr/>	<hr/>
At 30 June 1997	£ 100,178	£ 46,136	£ 146,314
	<hr/>	<hr/>	<hr/>

Included within fixed assets are assets held under hire purchase agreements as follows:

	Fixtures and Fittings £	Motor Vehicles £
Net book value	34,849	43,667
Depreciation provided during the period	9,904	21,082
	<hr/>	<hr/>

(10) DEBTORS

	31 May 1998	30 June 1997
Trade debtors	52,857	67,905
Amounts owed by fellow subsidiary undertakings	40,230	1,585
Advance corporation tax recoverable	595	595
Other debtors	23,190	11,580
Prepayments and accrued income	168,362	57,505
	<hr/>	<hr/>
	£ 285,234	£ 139,170
	<hr/>	<hr/>

Advance corporation tax recoverable is due after more than one year.

O M Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS for the eleven months ended 31 May 1998

(11) CREDITORS: Amounts falling due within one year

	31 May 1998	30 June 1997
Trade creditors	85,497	3,503
Amounts owed to parent undertakings	119,746	-
Corporation tax	2,648	56,685
Other taxes and social security costs	16,047	24,347
Obligations under hire purchase agreements (see note 12)	32,003	29,492
Dividends payable	92,807	9,529
Other creditors	91,059	1,187
Accruals and deferred income	122,932	185,881
	<hr/>	<hr/>
	£ 562,739	£ 310,624
	<hr/>	<hr/>

(12) CREDITORS: Amounts falling due after more than one year

	31 May 1998	30 June 1997
Obligations under hire purchase agreements payable:		
Between one and two years	37,150	34,434
Between two and five years	33,562	37,547
	<hr/>	<hr/>
	70,712	71,981
Finance charges and interest allocated to future accounting periods	11,213	12,207
	<hr/>	<hr/>
	59,499	59,774
Included in current liabilities	32,003	29,492
	<hr/>	<hr/>
	£ 27,496	£ 30,282
	<hr/>	<hr/>

Hire purchase obligations totalling £59,499 are secured on the assets to which they relate.

(13) CALLED UP SHARE CAPITAL

	Authorised		Allotted and fully paid	
	31 May 1998	30 June 1997	31 May 1998	30 June 1997
Equity shares:				
Ordinary shares of £1 each	£ 1,000	£ 1,000	£ 100	£ 100
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NOTES TO THE FINANCIAL STATEMENTS for the eleven months ended 31 May 1998

(14) PROFIT AND LOSS ACCOUNT

	Eleven months ended 31 May 1998	Year ended 30 June 1997
At 1 July 1997	87,049	69,668
(Loss)profit retained for the period	(87,049)	17,381
	<hr/>	<hr/>
At 31 May 1998	£ -	£ 87,049
	<hr/>	<hr/>

(14) RECONCILIATION OF SHAREHOLDERS' FUNDS

	Eleven months ended 31 May 1998	Year ended 30 June 1997
Profit for the financial period	5,758	82,910
Dividends	(92,807)	65,529
	<hr/>	<hr/>
Net (depletion)addition to shareholders' funds	(87,049)	17,381
Opening shareholders' funds	87,149	69,768
	<hr/>	<hr/>
Closing shareholders' funds	£ 100	£ 87,149
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Shareholders funds are fully attributable to equity interests.

(16) LEASE COMMITMENT

The company's commitment for rental payments under an operating lease payable during the period to 31 May 1998 is as follows:

	Land and buildings
Lease expiring:	
Between two and five years	£ 35,000
	<hr/>

(17) CAPITAL COMMITMENT

At 31 May 1998 the company had contracted for the purchase of new computer software totalling £1,310 (1997: £106,120).

(18) CONTINGENT LIABILITIES

The company has given unlimited guarantees on the bank overdrafts and loan notes of the group undertakings. At 31 May 1998 the amount outstanding under these guarantees was £57,629,603 (30 June 1997: £Nil).

(19) ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling party was OM Limited, a company incorporated in England and Wales, until 17 March 1998 when OM Limited's entire share capital was acquired by Peverel Investments, also registered in England and Wales and a wholly owned subsidiary of Peverel Holdings Limited.

Peverel Holdings Limited is both the smallest and largest group for which group accounts are prepared. The Group accounts are available to the public and may be obtained from Companies House, Cardiff.