Number of Company

2,068,919

CHASE MONTAGU LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st December 1997

CHASE MONTAGU LIMITED

REPORT OF THE DIRECTORS

The Director has pleasure in submitting his Report and the Audited Financial Statements for the year ended 31st December 1997.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company continued to trade as a financial and investment consultant. During the year the company has been engaged in litigation and there have therefore been exceptional legal and compensation costs. As a result of this and because of the time involved, income fell dramatically during the year and a significant loss was incurred.

PROFIT ON ACTIVITIES AFTER TAXATION

The director reports a loss on ordinary activities after taxation of £859,586. No dividend is proposed.

DIRECTORS

The persons who served as director during the financial year and their interests in the company's shares were as follows -

	At end of year	At beginning of year
S.L. Hinchliffe (resigned 23rd November 1998)	99	99
M. Hinchliffe (resiged 2nd February 1998)	1	1
C.T. Harrison (resigned 9th August 1998)	-	-

ELECTIVE RESOLUTIONS

At a general meeting of the company held on 9th March 1992, resolutions were passed dispensing with the holding of Annual General Meetings, the laying of accounts and reports before general meetings, and the appointment of auditors annually.

AUDITORS

The auditors, Robert M. Grierson & Co., are willing to continue in office and are expected to be deemed to be reappointed in accordance with the elective resolution currently in force.

Approved by the Director on the
18th March 1999

R.W. IBBOTSON

Registered Office

Parkhead Hall
Ecclesall Road South
Sheffield S11 9PX

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 of the company 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;

* 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

CHASE MONTAGU LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF

CHASE MONTAGU LIMITED

We have audited the financial statements on pages 4 to 12.

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, except in that the scope of our work was limited as described below. 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. However, the evidence available was to us limited in relation to the comparatives in the current year's financial statements which are derived from the financial statements for the year ended 31st December 1996. In our reports on the financial statements for 1995 and 1996 we stated that we were only able to obtain limited access to the books and records of the company when carrying out our audit, due to the evidence we required being seized by the Serious Fraud Office. Our reports were qualified because of this limitation in scope. We have not verified the balance sheet at 31st December 1995 since then and because any adjustment to those figures would have a consequential effect on the profit for the year ended 31st December 1996, the amounts shown in the profit and loss account for the year ended 31st December 1996 may not be comparable with the figures for the current period.

GOING CONCERN

In forming our opinion we have considered the adequacy of disclosures made in Note 20 on the Accounts, concerning the uncertainty of the company's ability to continue trading through the coming year. In view of the significance of this uncertainty we consider that it should be drawn to your attention. Our opinion is not qualified in this respect.

QUALIFIED OPINION: COMPARATIVES

As explained in Notes on the Accounts 1 and 8 and contrary to generally accepted accounting principles, certain income is only accounted for when received. This has increased the losses incurred for the year. Except for the absence of this accrued income, in our opinion the financial statements give a true and fair view of the company's state of affairs as at 31st December 1997 and of its loss for the year then ended and, except for any adjustments to the comparatives which might have been found to be necessary had we been able to obtain sufficient evidence concerning the 1996 financial statements, have been properly prepared in accordance with the Companies Act 1985.

Robert M. Grierson & Co

ROBERT M. GRIERSON & CO.

Registered Auditor
Chartered Accountants

Moor Oaks Lodge
6 Moor Oaks Road
Sheffield S10 1BX

18th March 1999

CHASE MONTAGU LIMITED

Balance Sheet at 31st December 1997

	Note	£ 1997	£	£ 1996	£
FIXED ASSETS					
Tangible Assets	7		2,483,754		2,479,194
Investments	8		3,501,867		3,519,367
			5,985,621		5,998,561
CURRENT ASSETS					
Debtors	2	735,693		428,458	
Investments	3	998		41,335	
Cash at Bank and in Hand	2	108,603		294,717	
		845,294		764,510	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	4	4,379,210		4,793,067	
NET CURRENT ASSETS/(LIABILITIES)			(3,533,916)		(4,028,557)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,451,705		1,970,004
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Secured Creditors	6	450,000		-	
Hire Purchase and Finance Leases	18	129,193		200,263	
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred Taxation	9	632,270		450,010	
			1,211,463		650,273
			1,240,242		1,319,731

CAPITAL AND RESERVES

	Note	1997 £	1996 £
CALLED-UP SHARE CAPITAL	10	100	100
REVALUATION RESERVE	11	780,097	-
PROFIT AND LOSS ACCOUNT	11	460,045	1,319,631
SHAREHOLDERS' FUNDS	14	1,240,242	1,319,731

Approved by the Director on the
18th May 1999

R.W. IBBOTSON

CHASE MONTAGU LIMITED

Profit and Loss Account for the year ended 31st December 1997

	Note	£ 1997	£	£ 1996	£
TURNOVER	1		440,749		1,806,913
Legal and Professional Charges	15	455,483		187,203	
Compensation Payable	15	300,000		-	
Other Costs		1,283,095		1,394,778	
ADMINISTRATIVE EXPENSES			2,038,578		1,581,981
			(1,597,829)		224,932
OTHER OPERATING INCOME			196,197		42,313
OPERATING PROFIT/(LOSS)			(1,401,632)		267,245
SURPLUS ON DISPOSAL OF INVESTMENTS			-		695,242
OTHER INTEREST RECEIVABLE AND SIMILAR INCOME			6,588		2,767
			(1,395,044)		965,254
AMOUNTS WRITTEN OFF INVESTMENTS	8	5,501		132,473	
INTEREST PAYABLE AND SIMILAR CHARGES		85,354		74,502	
			90,855		206,975
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	12		(1,485,899)		758,279
TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	13		(626,313)		428,524
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAX			(859,586)		329,755
TRANSFER TO/(FROM) RESERVES	11		(859,586)		329,755

All of the company's operations are classified as continuing.

Statement of Recognised Gains and Losses

	1997 £	1996 £
Profit/(Loss) for year	(859,586)	329,755
Unrealised Surplus on Revaluation of Properties	780,097	-
Total Recognised Gains and Losses relating to the year	(79,489)	(329,755)

1. ACCOUNTING POLICIES

(a) The Accounts are prepared in accordance with the historical cost convention, modified to include certain fixed assets at valuation.

(b) The Accounts are prepared in accordance with the Accruals Concept except in respect of interest on certain debentures owned by the company (see Note 8).

(c) The company is exempted from preparing group accounts by FRS 2 and by Section 248 of the Companies Act 1985, because the group qualifies as small-sized as defined by Section 249 of that Act. The accounts present information about the company as an individual undertaking and not about it as a group.
Information regarding the subsidiaries is given in Note 17.

(d) Being small-sized as defined by Sections 247 to 249 of the Companies Act 1985, the company and the group are exempted by FRS 1 from the requirement to include a cashflow statement in the accounts.

(e) Property held for its investment potential is not depreciated but is included at the directors' best estimate of open market value. This departure from the requirement of the Companies Act 1985 for all fixed assets to be depreciated is, in the opinion of the directors, necessary for the financial statements to give a true and fair view in accordance with the overriding requirement of Section 226 of that Act. The remaining leasehold property is depreciated over the unexpired term of the lease. Depreciation in relation to the remaining tangible fixed assets is calculated by the straight-line method and aims to write down the cost of the assets over their expected useful lives, the annual rates generally applied being 10% for Plant and Fixtures, 5% for Aircraft and 25% for Motor Vehicles. Assets acquired by the company under hire purchase or other agreements giving rights approximating to ownership are capitalised and depreciated as if they had been purchased outright. The capital element of future rentals is treated as a liability, while the interest element of the rentals is charged to profit and loss account over the period covered by the agreement in proportion to the balance of capital repayments outstanding.

(f) Investments held as fixed assets are stated at cost, reduced by any permanent diminution in value. The surplus or deficit arising on the disposal of investments is calculated by comparing the book value of investments sold with the fair value of consideration received.

(g) Known bad debts are written off and specific provision is made for any considered to be doubtful of collection. Recoveries are credited to the Profit and Loss Account in the year received.

(h) Turnover represents the total amount receivable in the ordinary course of business for services provided, excluding value added tax.

(i) The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently-administered fund. The amount of contributions payable by the company is shown in Note 12 as "Other Pension Costs".

(j) Provision is made for deferred taxation under the liability method at the directors' best estimate of the rate of corporation tax likely to apply when the timing differences are reversed.

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CHASE MONTAGU LIMITED

Notes on the Accounts for the year ended 31st December 1997

2. CURRENT ASSETS

	Note	£ 1997	£	£ 1996	£
Debtors					
Trade Debtors		3,867		98,604	
Tax Recoverable		2,809		2,440	
Other Debtors		699,518		249,090	
Prepayments and Accrued Income		29,499		78,324	
			735,693		428,458
Investments	3		998		41,335
Cash at Bank and in Hand					
Cash at Bank		108,400		294,693	
Cash in Hand		203		24	
			108,603		294,717
			845,294		764,510

Within "Other Debtors" is £150,000 not receivable until 1999 (see Note on Accounts 15).

3. INVESTMENTS HELD AS CURRENT ASSETS

	1997 £	1996 £
Shares in quoted companies	998	41,335

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	1997 £	1996 £
Secured Creditors	6	-	207,770
Bank Loans and Overdrafts	5	277,480	323,446
Trade Creditors		49,066	97,131
Amounts Owed to Subsidiary Companies		387,897	228,692
Corporation Tax		38,111	551,182
Social Security and Other Taxes		170,404	150,429
S.L. Hinchliffe Current Account		333,296	461,233
Hire Purchase and Finance Leases	18	213,331	25,208
BC Holdings Limited	8	2,490,482	2,500,475
Other Creditors		264,294	197,767
Accruals and Deferred Income		154,849	49,734
		4,379,210	4,793,067

5. BANK BORROWINGS

The company's bank borrowings are secured by a fixed charge secured on leasehold property owned by the company and a floating charge over its other assets.

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CHASE MONTAGU LIMITED

Notes on the Accounts for the year ended 31st December 1997

6. SECURED CREDITORS

As a consequence of the agreement described in Note 15, the company agreed in 1999 to pay £450,000 by 10th January 2000. Security for this liability (shown in the balance sheet as falling due after more than one year) was given by way of a second legal charge over the Short Leasehold Property.

During 1996 a secured creditor held a charge over an aircraft owned by the company. At the end of last year the company was accused of breaching a condition of this loan agreement and as a consequence the asset was sold and the loan repaid early in 1997. The loan amounted to £207,770 at 31st December 1996.

7. TANGIBLE FIXED ASSETS

	Leasehold Short Lease	Property Long Lease	Plant and Fixtures	Aircraft	Motor Vehicles	TOTAL
	£	£	£	£	£	£
Cost and Valuation						
Beginning of Year	813099	71766	165321	1040000	896590	2986776
Additions	-	-	10014	-	341907	351921
Revaluation Surplus	936901	78234	-	-	-	1015135
Disposals	-	-	(6644)	(1040000)	(457664)	(1504308)
End of Year	1750000	150000	168691	-	780833	2849524

Land and buildings held as investment property is stated at what the directors believe is a reasonable estimate of open market value of £150,000 (1996 £71,766) at the balance sheet date. The cost of this property at the year end was £71,766. The other leasehold property has been revalued at the year end by the directors, and is now stated at what they believe to be a reasonable estimate of open market value. The other fixed assets are stated at cost.

	Leasehold Short Lease	Property Long Lease	Plant and Fixtures	Aircraft	Motor Vehicles	TOTAL
Depreciation						
Beginning of Year	39615	-	34176	132500	301291	507582
For Year	20848	-	16824	-	126439	164111
Revaluation Surplus	(60463)	-	-	-	-	(60463)
Disposals	-	-	(1344)	(132500)	(111616)	(245460)
End of Year	-	-	49656	-	316114	365770
Net Book Value						
Beginning of Year	773484	71766	131145	907500	595299	2479194
End of Year	1750000	150000	119035	-	464719	2483754

At the year-end the net book value of assets held by the company as lessee under the terms of hire purchase agreements and finance leases (excluding Land and Buildings) was £410,371 (1996 £475,092), while the depreciation charge includes £64,721 (1996 £30,600) in respect of such items.

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CHASE MONTAGU LIMITED

Notes on the Accounts for the year ended 31st December 1997

8. INVESTMENTS HELD AS FIXED ASSETS

	1997 £	1996 £
Classic Motor Cars & Paintings	1,729,367	1,741,367
Shares in subsidiary companies	22,500	28,000
Shares & debentures in B.C. Holdings Limited	1,750,000	1,750,000
	3,501,867	3,519,367

During 1993 the company acquired 100% of the preference shares of B.C. Holdings Limited, a company incorporated in England and Wales. On the basis of information available to date, the directors of Chase Montagu Limited believe that the preference shares have no net realisable value and so the shareholding has been written off. The debentures are included at the value the directors believe will be recoverable via a right of set-off available against amounts owed to BC Holdings Limited by Chase Montagu Limited (see Note 4). Interest on the debentures will be accounted for when received rather than when receivable. At the balance sheet date £482,958 (1996 £378,958) net is due but has not been received.

9. DEFERRED TAXATION

	1997 £	1996 £
Corporation Tax at 31% (1996 33%) in respect of -		
Potential Gains on Investments	286,665	306,976
Accelerated Capital Allowances	(28,709)	84,560
Roll-over relief/Potential Gains on Property	374,034	58,174
Other Timing Differences	280	300
	632,270	450,010

10. SHARE CAPITAL

	1997	1996
Authorised -		
Ordinary Shares of £1 each	1,000	1,000
Allotted, Issued and Fully Paid -		
Ordinary Shares of £1 each	100	100

11. STATEMENT OF MOVEMENTS ON RESERVES

	Total £	Revaluation Reserve £	Profit & Loss Account £
At 1st January 1997	1,319,631	-	1,319,631
Retained Profit/(Loss) for the year	(859,586)	-	(859,586)
Surpluses on Revaluation of:			
Leasehold Investment Property	78,234	78,234	-
Short Leasehold Property	997,364	997,364	
Deferred Tax provided on Revaluation of:			
Investment Property	(21,203)	(21,203)	-
Short Leasehold Property	(274,298)	(274,298)	
At 31st December 1997	1,240,142	780,097	460,045

continued on page 10 .....

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

	1997 £	1996 £
is after charging -		
Directors' Remuneration -		
Emoluments, including benefits, for management services	93,292	114,581
Pension Premiums	3,000	3,000
	96,292	117,581

(During the year, and also during the previous year, benefits were accruing to one director under a money purchase pension scheme.)

Staff Costs of the following average numbers of persons employed (including directors) -

1997 No.	1996 No.
3	3

	1997 £	1996 £
Wages and Salaries	93,292	164,693
Social Security Costs	16,931	20,645
Other Pension Costs	3,000	3,000
	113,223	188,338
Amounts Written Off Investments	5,501	132,473
Auditors' Fees and Expenses	1,500	2,200
Depreciation	164,111	271,957
Bank Interest	28,514	30,487
Other Interest	29,307	28,653
Finance Lease Charges	27,533	15,362
Compensation Payable	300,000	-
and after crediting -		
Surplus on Disposal of Fixed Assets	182,480	9,213
Surplus on Disposal of Investments	-	695,242

13. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1997 £	1996 £
Corporation Tax/(Loss Relief)	(410,820)	470,134
Group Relief	(102,251)	-
Transfer to/(from) Deferred Taxation	(113,242)	(41,610)
	(626,313)	428,524

Included in the Corporation Tax charge for 1996 was £220,182 in respect of the Surplus on Disposal of Investments.

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CHASE MONTAGU LIMITED

Notes on the Accounts for the year ended 31st December 1997

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Retained Profit/(Loss) for the financial year	(859,586)	329,755
Surpluses on Revaluation of Property less Provision for Deferred Taxation	780,097	-
Shareholders' Funds at beginning of year	1,319,731	989,976
Shareholders' Funds at end of year	1,240,242	1,319,731

15. EXCEPTIONAL CHARGES

In the opinion of the director it has been necessary to disclose on the face of the Profit and Loss Account in order to give a true and fair view:

(1) Legal & Professional fees of exceptional size and incidence which were incurred during 1997, primarily as a result of an action which had led to the company being unable to conduct its principal activities in the usual fashion.

(2) Compensation Payable of £450,000 which the company agreed, as part of a deed of settlement drawn up in February 1999, to pay to various other companies which were involved in the dispute mentioned in (1). The deed also contained clauses releasing for the benefit of the company, £150,000 which had been disputed and held in an escrow account. This amount had been written off as a bad debt in the company's 1996 Accounts and has now been credited to the 1997 Profit and Loss account, being an integral part of the agreement to pay the compensation.

The degree of prominence given to these items is necessary in order to illustrate their importance in creating the losses incurred. Full relief has been given for these expenses against the previous years profits, when computing the tax on the loss for the year at 33%.

16. CONTINGENCIES AND CHARGES

The company had given a guarantee to Lloyds Bank p.l.c. in respect of the obligations to the bank of Matchmaker Holdings Limited, a related company. Receivers were appointed to Matchmaker Holdings Limited in 1997 and early in 1998 Chase Montagu Limited sold an Investment Property and paid £87,006 to the bank to make good outstanding debts of the related company. The bad debt arising has been provided for in 1997.

17. SUBSIDIARY COMPANIES

The subsidiary undertakings at the year end were Pomona Estates Limited (Pomona), Allied Industrial Estates Limited (Allied) and Ambassador Limousines Limited (Ambassador), all of which were incorporated in England and Wales. At the balance sheet date the company owned the entire share capital of the subsidiaries except for one "A" share in Allied Industrial Estates Limited.

	Ambassador £	Allied £	Pomona £
(Loss) for the financial year	(62,030)	(169,465)	(5,526)
Capital and Reserves at 31.12.1997	(62,029)	(247,026)	22,697
Value of investment on equity basis at 31.12.1997	-	-	22,500

The figures have been adjusted for permanent impairment in the equity value of the investments.

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18. FINANCE LEASES

	1997 £	1996 £
Repayable in from 1 to 2 years	129,193	93,345
Repayable in from 2 to 5 years	-	106,918
	129,193	200,263
Repayable within 1 year	213,331	25,208
	342,524	225,471

19. RELATED PARTY TRANSACTIONS

Throughout 1996 and 1997 the company was under the control of Mr. S.L. Hinchliffe. Included in the balance sheets were the following amounts owing to/(from) the company by parties which were controlled by S.L. Hinchliffe, but not by Chase Montagu Limited, during 1996 and 1997:

	1997 £	1996 £
Strategic Group Ltd.	-	63,778
Westbourne House (a partnership)	-	54,811
B.C. Holdings Ltd.	(2,490,492)	(2,500,474)
Facia Group	(122,969)	(162,361)
T.W.H. (Developments) Ltd.	(156,130)	(19,208)

Amounts owing to/(from) S.L. Hinchliffe and the company's subsidiaries are shown in Note 4.

Turnover includes sales to related parties of:		
Facia Group	-	1,302,300
Strategic Ltd	382,672	331,405
Bad Debts charged included the following in respect of related parties -		
Strategic Group Ltd.	330,172	-
Matchmaker Holdings Ltd. (see Note 15)	106,431	-
Ambassador Limousines Ltd.	42,542	-
Clarkehouse Industrial Estates Ltd.	-	90,996
Facia Group	-	70,866
Cantabrian Sports Equipment Ltd.	-	52,079

No interest was paid or accrued on any of the amounts owing to/(from) related parties during the year.

20. GOING CONCERN

The company is currently having to meet its day to day working capital requirements through the sale of assets and investments. The director believes that this will continue to be the case over the coming 12 months but that the company will be able to realise sufficient assets to meet its liabilities as they fall due; including the £450,000 Secured creditor due for repayment at 31st December 2000. However, this is expected to require the sale of the company's leasehold property. Although no budgets or cash flow information is currently available for the year ahead, the director intends to carry out an extensive review of the company and its subsidiaries with a view to returning the company and the group to profitability and is currently looking at the possibility of refinancing the company. On this basis the director considers it appropriate to prepare the financial statements on a going concern basis.