

FAIRGATE INVESTMENTS LIMITEDANNUAL REPORT AND ACCOUNTS31 DECEMBER 1996

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The following pages do not form part of
the statutory accounts

10-11 Detailed Profit and Loss Account



FAIRGATE INVESTMENTS LIMITED**COMPANY INFORMATION**

DIRECTORS	Chief L.O. Akindede Robert Andrew Parker (Resigned 15.7.96) Rene Kolowski (Appointed 8.5.96)
SECRETARY	G.Adeleke
AUDITORS	SIDDIQI & CO 74 GREAT EASTERN STREET LONDON EC2A 3JL
REGISTERED OFFICE	74 Great Eastern Street London EC2A 3JL
REGISTERED NUMBER	2317867(England and Wales)

FAIRGATE INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report with the audited accounts of the company for the year ended 31 December 1996.

PRINCIPAL ACTIVITY

The principal activity of the company throughout the year continued to be that of property developers and dealers in properties.

REVIEW OF BUSINESS

The results for the year are set out in the annexed profit and loss account.

DIRECTORS

The directors who held office during the year and their beneficial interests in the issued share capital were as follows:

	Ordinary shares of £1 each	
	31 December 1996	31 December 1995
Chief L.O. Akindede	-	-
Robert Andrew Parker (Resigned 15.7.96)	-	-
Rene Kolowski (Appointed 8.5.96)	-	-

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 judgments 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

FUTURE DEVELOPMENTS

The directors are confident that the company will be able to retain its stock of properties for the present and sell them as soon as the restoration & refurbishment work is completed.

FAIRGATE INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

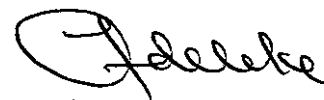
AUDITORS

The auditors, Siddiqi & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

In preparing the above report, the directors have taken advantage of special exemptions applicable to small companies provided by Part II of Schedule 8 to the Companies Act 1985.

Signed on behalf of the board of directors

G.Adeleke
Secretary


12/6/ 1997

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
FAIRGATE INVESTMENTS LIMITED**

We have audited the financial statements on pages 5 to 9 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.

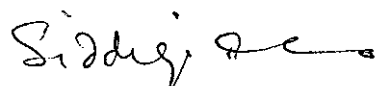
Basis of opinion

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 judgments 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 as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.


SIDDIQI & CO
Chartered Accountants &
Registered Auditor
74 GREAT EASTERN STREET
LONDON
EC2A 3JL

19 | 6 | 1997

FAIRGATE INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996		1995	
		£	£	£	£
TURNOVER - Continuing operations	2		Nil		Nil
Cost of sales			<u>555,950</u>		<u>-</u>
GROSS LOSS			(555,950)		-
Selling and distribution costs					
Administrative expenses		<u>554,568</u>		<u>70,307</u>	
			<u>(554,568)</u>		<u>(70,307)</u>
OPERATING LOSS - continuing operations	3		(1,110,518)		(70,307)
Interest Receivable			5,659		121
OTHER INCOME			<u>-</u>		<u>7,412</u>
			(1,104,859)		(62,774)
Interest payable	4		<u>(51,656)</u>		<u>(190,080)</u>
LOSS on ordinary activities before taxation			(1,156,515)		(252,854)
Taxation	5		<u>-</u>		<u>-</u>
RETAINED LOSS FOR THE YEAR			(1,156,515)		(252,854)
LOSS AT 31 DECEMBER 1995			<u>(1,612,304)</u>		<u>(1,359,450)</u>
LOSS AT 31 DECEMBER 1996			<u>£(2,768,819)</u>		<u>£(1,612,304)</u>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 9 form part of these accounts.

FAIRGATE INVESTMENTS LIMITED
BALANCE SHEET — 31 DECEMBER 1996

	Notes	1996		1995	
		£	£	£	£
FIXED ASSETS			Nil		Nil
CURRENT ASSETS					
Stock		4,500,000		5,555,950	
Debtors	6	-		244,326	
Cash at bank and in hand		213,380		-	
		<u>4,713,380</u>		<u>5,800,276</u>	
CREDITORS: amounts falling due within one year	7	<u>(220,932)</u>		<u>(2,567,589)</u>	
NET CURRENT ASSETS			<u>4,492,448</u>		<u>3,232,687</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,492,448</u>		<u>3,232,687</u>
CREDITORS: amounts falling due after more than one year	8		<u>(7,161,267)</u>		<u>(4,744,991)</u>
NET LIABILITIES			<u>£(2,668,819)</u>		<u>£(1,512,304)</u>
CAPITAL AND RESERVES					
Called up share capital	9		100,000		100,000
Profit and loss account			<u>(2,768,819)</u>		<u>(1,612,304)</u>
SHAREHOLDERS' FUNDS			<u>£(2,668,819)</u>		<u>£(1,512,304)</u>

The directors have taken advantage of special exemptions conferred by Part 1 of Schedule 8 to the Companies Act 1985 applicable to small companies in the preparation of the accounts and have done so on the grounds that, in their opinion, the company qualifies as a small company.

Signed on behalf of the
board of directors

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Director

Approved by the board: 19/6/1997

The notes on pages 7 to 9 form part of these accounts.

FAIRGATE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS — 31 DECEMBER 1996

1 ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the financial statements are set out below.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Stock

The stock is valued at lower of cost and net realisable value.

Cash flow statement

No cash flow statement has been prepared as advantage has been taken of the exemptions in FRS1.

2 TURNOVER

There was no sales in the year.

3 OPERATING LOSS FOR THE YEAR

The operating loss for the year is stated after charging:

	1996	1995
	£	£
Auditors' remuneration	2,350	2,350

FAIRGATE INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS – 31 DECEMBER 1996

(CONTINUED)

4 INTEREST PAYABLE

	1996	1995
	<u>£</u>	<u>£</u>
Interest payable on bank loans		
Repayable within 1 year	<u>51,656</u>	<u>190,080</u>

5 TAXATION

No liability to Corporation Tax arises for the year due to losses suffered by the company during the year.

6 DEBTORS

	1996	1995
	<u>£</u>	<u>£</u>
Amounts due from group undertakings	-	244,326
	<u>-</u>	<u>244,326</u>

7 CREDITORS: amounts falling due within one year

	1996	1995
	<u>£</u>	<u>£</u>
Bank Loan repayable within 1 year (Secured on the stock of freehold properties)	-	2,500,000
Accrued expenses	220,932	67,589
	<u>220,932</u>	<u>2,567,589</u>

8 CREDITORS: amounts falling due after more than one year

	1996	1995
	<u>£</u>	<u>£</u>
Amounts due to group undertakings	<u>7,161,267</u>	<u>4,744,991</u>

FAIRGATE INVESTMENTS LIMITED
NOTES TO THE ACCOUNTS — 31 DECEMBER 1996
(CONTINUED)

9 CALLED UP SHARE CAPITAL

	1996	1995
	£	£
Authorised 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

10 CONTINGENT LIABILITIES

Dilapidation notices have been served by the English Heritage and Howard De Walden Estates which require the company to carry out the restoration work to Chandos House and Duchess Street Properties held by the company as trading stock. The notice from English Heritage was followed by a compulsory purchase order.

The company has taken necessary steps to comply with these notices/order and the repair work has started.

11 PARENT COMPANY

The parent company is Fairgate Group Ltd. incorporated in Great Britain and registered in England.

ULTIMATE HOLDING COMPANY

The Ultimate Holding Company is Continental Holdings SA incorporated in Luxembourg.

FAIRGATE INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	1996		1995	
	£	£	£	£
COST OF SALES				
Opening stock	5,555,950		5,555,950	
Less insurance receipt	(500,000)		-	
	5,055,950		5,555,950	
Closing stock	4,500,000		5,555,950	
		(555,950)		-
GROSS LOSS		(555,950)		-
DEDUCT : EXPENSES		-		
Establishment	482,518		64,145	
Administration	585		794	
Financial	123,121		195,448	
		(606,224)		(260,387)
OTHER INCOME		(1,162,174)		(260,387)
Interest receivable		5,659		121
Other Income		-		7,412
NET LOSS BEFORE TAXATION		<u>£(1,156,515)</u>		<u>£ (252,854)</u>

FAIRGATE INVESTMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	1996		1995	
	£	£	£	£
ESTABLISHMENT				
Rent Rates Light Heat S/C		75,758		49,446
Insurance		4,212		3,660
Repairs and maintenance		402,548		11,039
	£	482,518	£	64,145
ADMINISTRATION				
Telephone		385		794
Sundry Expenses		200		-
	£	585	£	794
FINANCIAL				
Bank charges and interest		54,940		190,080
Audit		2,350		2,350
Legal & professional charges		65,831		3,018
	£	123,121	£	195,448