

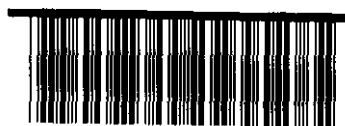


TILEYARD PROPERTIES LIMITED

Report and Financial Statements

30 April 1999

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



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**REPORT AND FINANCIAL STATEMENTS 1999**

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A M Sugar
C T Sandy

SECRETARY

C T Sandy

REGISTERED OFFICE

Brentwood House
169 Kings Road
Brentwood
Essex CM14 4EF

BANKERS

Merita Bank
19 Thomas More Street
London
E1 9YW

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 1999.

ACTIVITIES

The principal activity of the company is the holding of investment properties.

REVIEW OF DEVELOPMENTS

The profit and loss account for the year is set out on page 5.

DIVIDENDS

The directors do not propose the payment of a dividend (1998 - £nil).

FUTURE PROSPECTS

There are no planned changes to the company's activities.

DIRECTORS AND THEIR INTERESTS

The directors who held office throughout the year are listed below:

A M Sugar
C T Sandy

The following director who held office at 30 April 1999 had interests in the shares of the company.

	Ordinary shares of £1 each	
	1999	1998
A M Sugar	41,490,000	41,490,000

The other director did not have any interests in the shares of the company during the year ended 30 April 1999, (1998 - none).

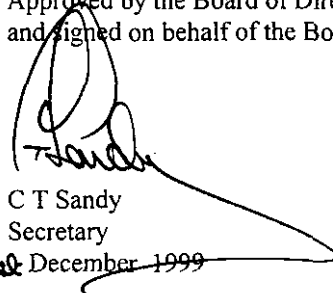
YEAR 2000

The company does not run any computer systems because all such related work is subcontracted to third parties who have confirmed that their computer systems are Year 2000 compliant. The company has also undertaken a review of its exposure in the buildings which it owns. The review identified no material costs required to ensure Year 2000 compliance.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


C T Sandy
Secretary

21st December 1999



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 as at the end of the financial period 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 a 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 and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF TILEYARD PROPERTIES LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under 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 as at 30 April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

23 December 1999

PROFIT AND LOSS ACCOUNT
For the year ended 30 April 1999

	Note	1999 £	1998 £
TURNOVER	2	358,173	243,130
Cost of sales		(93,943)	(181,402)
Gross profit		264,230	61,728
Administrative expenses		(142,898)	(88,754)
Other operating income		136,575	9,009
Release of provision against investment property		769,350	1,720,950
OPERATING PROFIT	4	1,027,257	1,702,933
Interest receivable and similar income		14,508	9,289
Interest payable and similar charges	5	-	(89)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,041,765	1,712,133
Tax on profit on ordinary activities	6	-	-
PROFIT FOR THE FINANCIAL YEAR		1,041,765	1,712,133
Accumulated deficit brought forward		(34,109,366)	(35,821,499)
Accumulated deficit carried forward		(33,067,601)	(34,109,366)

All activities derive from continuing operations.

There is no difference between the reported profit on ordinary activities after taxation and the equivalent historical cost amount.

There were no recognised gains or losses in the year or preceding year except for the profit for the financial year.

BALANCE SHEET
30 April 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Investment property	7	<u>8,020,300</u>	<u>7,250,950</u>
CURRENT ASSETS			
Debtors	8	34,580	6,858
Cash at bank and in hand		<u>624,340</u>	<u>383,449</u>
		658,920	390,307
CREDITORS: amounts falling due			
Within one year	9	<u>256,821</u>	<u>260,623</u>
NET CURRENT ASSETS		<u>402,099</u>	<u>129,684</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,422,399</u>	<u>7,380,634</u>
CAPITAL AND RESERVES			
Called up share capital	10	41,490,000	41,490,000
Profit and loss account - deficit		<u>(33,067,601)</u>	<u>(34,109,366)</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>8,422,399</u>	<u>7,380,634</u>

These financial statements were approved by the Board of Directors on 2nd December 1999.

Signed on behalf of the Board of Directors


C T Sandy
Director

NOTES TO THE ACCOUNTS
For the year ended 30 April 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. Compliance with SSAP 19 "Accounting for investment properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given below. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of certain freehold properties.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. Any diminution in value which is believed to be permanent is written off to the profit and loss account in the year in which it arises. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principles set out in SSAP 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, rental of commercial property.

3. STAFF COSTS

The company has no employees (1998 - none). The directors received no emoluments during the year (1998 - £nil).

4. OPERATING PROFIT

The audit fee for the year was £1,600 (1998 - £1,550).

Remuneration of the company's auditors for provision of non-audit services was £925 (1998 - £1,450).

NOTES TO THE ACCOUNTS
For the year ended 30 April 1999

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Bank charges	-	89
	<u>-</u>	<u>89</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

No tax liability arises in the year ended 30 April 1999 due to the availability of tax losses brought forward.

7. INVESTMENT PROPERTY

	Freehold £
At 1 May 1998	7,250,950
Increase in valuation during the year	769,350
	<u>7,250,950</u>
At 30 April 1999	8,020,300
	<u>8,020,300</u>

The investment property was valued at £8,020,300 as at 30 April 1999 by the directors on an open market basis.

8. DEBTORS

	1999 £	1998 £
Trade debtors	15,429	2,644
Amounts owed by group company	-	1,000
Other debtors	17,188	1,431
Prepayments and accrued income	1,963	1,783
	<u>34,580</u>	<u>6,858</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	3,664	-
Amounts owed to group company	30,930	74,393
Other creditors	93,651	117,224
Accruals and deferred income	128,576	69,006
	<u>256,821</u>	<u>260,623</u>

NOTES TO THE ACCOUNTS
For the year ended 30 April 1999

10. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised: 50,000,000 ordinary shares of £1 each	50,000,000	50,000,000
	£	£
Called up, allotted and fully paid: 41,490,000 ordinary shares of £1 each	41,490,000	41,490,000

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Opening shareholders' funds	7,380,634	5,668,501
Profit for the financial year	1,041,765	1,712,133
Closing shareholders' funds	8,422,399	7,380,634

12. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The company is owned by A M Sugar.

During the year the company was charged £25,000 by Amsprop Trading Limited, a company which is indirectly controlled by A M Sugar, for administrative services. At 30 April 1999 a balance of £nil, (1998 - £23,906) was included within accruals in respect of uninvoiced amounts due to Amsprop Trading Limited.