

STERLING CAPITOL PROPERTIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1998

(Registered Number 2968415)



STERLING CAPITOL PROPERTIES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group is property development.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 1998 are set out on page 4. The profit for the financial year was £239,295.

The directors do not recommend the payment of a dividend (1997: £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as follows:

RS Murray
M Croxen

None of the directors have any interests required to be disclosed under Section 234 of the Companies Act 1985.

The interests of the directors in the share capital of the ultimate parent undertaking, Sterling Capitol PLC, are disclosed in that company's accounts.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period 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 year. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

STERLING CAPITOL PROPERTIES LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

DIRECTORS' RESPONSIBILITIES (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the accounts 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

Our auditors, Price Waterhouse merged with Coopers & Lybrand on 1 July 1998, following which Price Waterhouse resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to re-appoint PricewaterhouseCoopers as auditors and to authorise the directors to fix their remuneration will be put at the Annual General Meeting.

12 York Road
Leeds
LS1 2DS

By order of the Board



M Croxon
Secretary

18 June 1999

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne NE99 1PL
Telephone +44 (0) 191 232 8493
Facsimile +44 (0) 191 261 9490
Direct fax +44 (0) 191 261 9490

AUDITORS' REPORT TO THE MEMBERS OF STERLING CAPITOL PROPERTIES LIMITED

We have audited the accounts on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on pages 1 and 2 of the financial statements. Our responsibilities as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

18 June 1999

STERLING CAPITOL PROPERTIES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998**

	31 December 1998 £	31 December 1997 £
SALES	2,825,775	3,435,000
Cost of sales	<u>(2,498,679)</u>	<u>(2,887,403)</u>
GROSS PROFIT	327,096	547,597
Other operating expenses (Note 2)	<u>(848)</u>	<u>(718)</u>
OPERATING PROFIT	326,248	546,879
Interest receivable	3,852	1,769
Interest payable	<u>-</u>	<u>(10)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	330,100	548,638
Tax on profit on ordinary activities (Note 4)	<u>(90,805)</u>	<u>(172,929)</u>
PROFIT FOR THE FINANCIAL YEAR	239,295	375,709
RETAINED PROFIT, BEGINNING OF YEAR	<u>377,433</u>	<u>1,725</u>
RETAINED PROFIT, END OF YEAR	<u>616,728</u>	<u>377,434</u>

Turnover and operating profit for the year and the preceding period were derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There were no recognised gains or losses other than the profit for the financial year.

STERLING CAPITOL PROPERTIES LIMITED**BALANCE SHEET AS AT 31 DECEMBER 1998****CURRENT ASSETS**

Stocks (Note 5)	1,153,259	2,041,645
Debtors (Note 6)	1,067,728	2,832,483
Cash at bank and in hand	<u>-</u>	<u>557</u>
	2,220,987	4,874,685

CREDITORS: Amounts falling due within one year (Note 7)

<u>(1,604,258)</u>	<u>(4,497,251)</u>
--------------------	--------------------

NET CURRENT ASSETS

<u>616,729</u>	<u>377,434</u>
----------------	----------------

NET ASSETS

616,729	377,434
<u> </u>	<u> </u>

CAPITAL AND RESERVES

Called up share capital (Note 8)	1	1
Profit and loss account	<u>616,728</u>	<u>377,433</u>

EQUITY SHAREHOLDERS' FUNDS
(Note 9)

616,729	377,434
<u> </u>	<u> </u>

Signed on behalf of the Board:

M Croxen

Director



18 June 1999

The accompanying notes are an integral part of this balance sheet.

STERLING CAPITOL PROPERTIES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998

1 ACCOUNTING POLICIES

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the year is set out below:

a) Basis of accounting

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

The company has not prepared a cash flow statement, as permitted by Financial Reporting Standard Number 1 (Revised), because its parent company, Sterling Capitol PLC has produced a consolidated cash flow statement including the cash flows of the company.

b) Turnover

Turnover represents the value of legally completed property sales net of related taxes.

c) Government Grants

Government grants relating to properties held for development are treated as deferred income and released to the profit and loss account as the costs of those developments are charged to the profit and loss account.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

e) Stock

Stocks are valued at the lower of cost and net realisable value.

Where the directors consider developments to be substantial with practical completion expected after more than one year from commencement and have been financed by specific identifiable borrowings, the cost of those developments includes interest attributable to those borrowings up to the point of practical completion.

STERLING CAPITOL PROPERTIES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (continued)

2 OTHER OPERATING EXPENSES

Other operating expenses comprise administrative expenses.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditor's remuneration and staff costs were borne by the company's ultimate parent undertaking Sterling Capitol PLC.

The average monthly number of persons employed by the company was 1 (1997 -2). None of the directors received any emoluments for their services to the company.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

Tax on profit on ordinary activities comprises:

	1998 £	1997 £
UK Corporation tax	90,843	172,929
Adjustment of UK corporation tax of previous year	(38)	-
	<u>90,805</u>	<u>172,929</u>

5 STOCKS

The net book value of stocks comprises:

	1998 £	1997 £
Properties held for development	1,153,259	2,041,645
	<u>1,153,259</u>	<u>2,041,645</u>

Stocks include capitalised interest, excluding the related tax credit of £476,438 (1997 - £375,794).

STERLING CAPITOL PROPERTIES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (continued)

6 DEBTORS

Debtors comprise amounts falling due within one year.

	1998 £	1997 £
Amounts due from ultimate parent undertaking	-	1
Other debtors		
- VAT	-	18,725
- Other	23,794	-
Prepayments and accrued income	<u>1,043,0934</u>	<u>2,813,757</u>
	<u>1,067,728</u>	<u>2,832,483</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Amounts due to ultimate parent undertaking	755,298	2,458,829
Corporation tax	90,842	172,520
Accruals and deferred income		
- Government grant	659,330	659,330
- Other	<u>98,788</u>	<u>1,206,572</u>
	<u>1,604,258</u>	<u>4,497,251</u>

8 CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid, ordinary shares of £1 each	<u>1</u>	<u>1</u>

STERLING CAPITOL PROPERTIES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (continued)

9 RESERVES

The company's reserves comprise its profit and loss account which is distributable.

	1998 £	1997 £
Profit for the financial year	<u>239,295</u>	<u>375,709</u>
Net increase in equity shareholders' funds	239,295	375,709
Equity shareholders' funds, beginning of year	<u>377,434</u>	<u>1,725</u>
Equity shareholders' funds, end of year	<u>616,729</u>	<u>377,434</u>

10 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Sterling Capitol PLC, a company registered in England and Wales. Group accounts have been prepared by this company and are not available to the public.

Transactions with other companies within the Sterling Capitol Group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related Party Disclosures".