

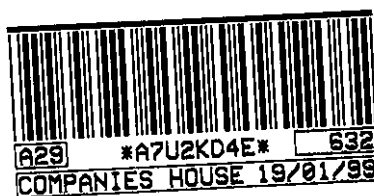


**FAIRVIEW NEW HOMES (PALMERS
GREEN) LIMITED**

Report and Financial Statements

30 June 1998

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





REPORT AND FINANCIAL STATEMENTS 1998

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DIRECTORS' REPORT

The directors present their report and the audited financial statements for the six months ended 30 June 1998.

PRINCIPAL ACTIVITIES

The company's principal activity is that of residential property developers.

REVIEW OF BUSINESS AND RESULTS

The directors regard progress as satisfactory. The results are set out on page 5. No dividend was paid or proposed during the six months (twelve months ended 31 December 1997 - £nil). The retained profit for the six months ended 30 June 1998 of £673,444 (twelve months ended 31 December 1997 - £nil) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year are set out below.

No director had any interest in the shares of the company.

The directors' interests, including their beneficial and family interests in the shares and options of the previous ultimate parent company, Hillsgdown Holdings plc, were as follows:

	Ordinary £1 shares		Share options held in ordinary £1 shares	
	30 June 1998	31 December 1997	30 June 1998	31 December 1997
R H Westcott	-	-	-	-
S C Casey	-	-	58,923	108,871
J B Cousins	-	-	101,520	101,520

On 5 October 1998 the company, as part of the Fairview Group, demerged from Hillsgdown Holdings plc. On that date Fairview Holdings Plc became the ultimate parent company.

None of the directors has a service contract or contract for services with the company.

YEAR 2000

The board recognises the potential implications of Year 2000 issues for the business. An assessment has been made by the senior management of the possible impact on internal office equipment, information systems and environmental equipment owned by the company. Consideration is also being given to the action being taken by our trading partners, suppliers (both material and subcontractor) and banks.

Where necessary upgrades and replacements are being undertaken to ensure that the company's own systems will operate without disruption into the new millenium. In many cases these improvements form part of a general programme of maintenance and replacement. Costs relating to the Year 2000 are not expected to be material in amount.



DIRECTORS' REPORT

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

D K Tipping
Secretary

21 December 1998

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial year 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;
- state whether applicable accounting standards have been followed;
- 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

FAIRVIEW NEW HOMES (PALMERS GREEN) LIMITED

We have audited the financial statements on pages 6 to 8 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 June 1998 and of its profit for the six months period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

January 1999


PROFIT AND LOSS ACCOUNT
Six months ended 30 June 1998

	Note	6 months ended 30 June 1998 £	Year ended 31 December 1997 £
TURNOVER	1	2,462,077	-
Cost of sales		(1,486,071)	-
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		976,006	-
Tax on profit on ordinary activities at 31%		(302,562)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		673,444	-
Retained profit for the period	2 and 5	673,444	-

All activities derive from continuing operations. There are no recognised gains and losses or movements in shareholders' funds for the current financial period and preceding financial year other than as stated in the profit and loss account.



BALANCE SHEET
30 June 1998

	Note	6 months ended 30 June 1998 £	Year ended 31 December 1997 £
CURRENT ASSETS			
Land and buildings in course of development	1	3,342,907	3,348,488
Debtors	3	2	2
		<u>3,342,909</u>	<u>3,348,490</u>
CREDITORS: amounts falling due within one year	4	<u>(2,669,463)</u>	<u>(3,348,488)</u>
NET CURRENT ASSETS		<u>673,446</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	6	2	2
Profit and loss account	5	<u>673,444</u>	<u>-</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>673,446</u>	<u>2</u>

These financial statements were approved by the Board of Directors on 21 December 1998.

Signed on behalf of the Board of Directors

R H Westcott
Director



NOTES TO THE ACCOUNTS

Six months ended 30 June 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the net proceeds from the sale of residential units to third parties. Turnover is derived wholly in the United Kingdom.

Land and buildings in course of development

Land and buildings in course of development and land upon which development has not yet commenced are valued at the lower of cost and net realisable value. Cost includes the cost of acquiring land, development expenditure to date and an appropriate proportion of overhead expenditure.

In considering net realisable value, it is assumed that the sites will be fully developed and completed residential units sold in the ordinary course of the company's business and that the sites will not be placed on the market for immediate sale in their existing state.

2. PROFIT AND LOSS ACCOUNT

The company has had no employees during the period and none of the directors has received any emoluments or other benefits. Auditors' remuneration has been borne by another group company.

3. DEBTORS

	30 June 1998 £	31 December 1997 £
Amount due from Fairview New Homes Plc	2	2

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 1998 £	31 December 1997 £
Amount due to Fairview New Homes Plc	143,026	2,757,508
Amount due to Fairview Estates (Housing) Limited	2,153,579	590,980
Other creditors	70,296	-
Corporation tax payable	302,562	-
	<u>2,669,463</u>	<u>3,348,488</u>



NOTES TO THE ACCOUNTS

Six months ended 30 June 1998

5. PROFIT AND LOSS ACCOUNT

	£
Balance 1 January 1998	-
Retained profit for the period	673,444
	<hr/>
Balance 30 June 1998	673,444
	<hr/>

6. CALLED UP SHARE CAPITAL

	30 June 1998 £	31 December 1997 £
Authorised share capital: 100 ordinary shares of £1 each	<hr/> 100	<hr/> 100
Called up, allotted and fully paid: 2 ordinary shares of £1 each	<hr/> 2	<hr/> 2

7. ULTIMATE PARENT COMPANY

The company was, until 5 October 1998, a subsidiary of Hillsgdown Holdings plc, a company incorporated in Great Britain.

The largest and smallest groups of undertakings for which group accounts were drawn up and of which the company was a member were:

Largest parent company and ultimate controlling party: **Smallest and immediate parent company:**

Hillsgdown Holdings plc
Hillsgdown House
32 Hampstead High Street
London NW3 1QD

Fairview New Homes Plc (incorporated in Great Britain)
50 Lancaster Road
Enfield
Middlesex EN2 0BY

Copies of the group accounts may be obtained at the addresses shown above.

On 5 October 1998 Fairview New Homes (Palms Green) Limited as part of the Fairview Group demerged from Hillsgdown Holdings plc. With effect from 5 October 1998, Fairview Holdings Plc became the ultimate parent company and controlling party.

8. RELATED PARTY TRANSACTIONS

In accordance with FRS 8 "Related Party Disclosures", transactions with other undertakings within the group have not been disclosed in these financial statements.