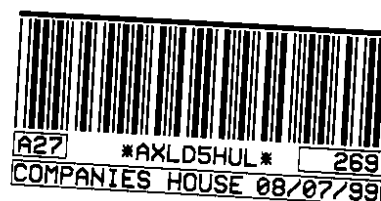


DELACONTE LIMITED

ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 1998

Registered no. 3498871

MERCERS' HALL
IRONMONGER LANE
LONDON
EC2V 8HE



DELACONTE LIMITED**AUDITORS' REPORT**

We have audited the financial statements on pages 3 to 6 which have been prepared under the historical cost convention and accounting policies set out on page 5.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Directors' Report, including as described on page 2, 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 Acts. 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 the information specified by law regarding directors' remuneration and transactions is not disclosed.

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

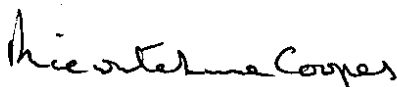
Basis of opinion

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 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 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

2 Feb 1999

DELACONTE LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts for the period ended 31 December 1998.

Incorporation

The Company was incorporated as Filbuk 488 Limited on 26 January 1998 and changed its name to Delaconte Limited on 6 April 1998.

Principal activity

The principal activity of the Company during the year was property construction.

Results and dividends

The profit after adjusting for tax for the financial period is £41,000 and has been transferred to reserves. The Directors do not propose to declare a dividend for the financial period.

Directors

The Directors of the Company during the period were :

Alderman Sir Alexander Graham, GBE	appointed 17 June 1998	(Chairman)
H A F Buxton, DL	appointed 17 June 1998	
C S Clayton	appointed 17 June 1998	
Filbuk Nominees Limited	appointed 26 January 1998; resigned 6 March 1998	
D H Hodson	appointed 17 June 1998	
C H Parker	appointed 6 March 1998	
R R Pope	appointed 6 March 1998; resigned 17 June 1998	
J P G Wathen	appointed 17 June 1998	
J A Watney	appointed 17 June 1998	
R K Westmacott	appointed 17 June 1998	
C J Vermont	appointed 17 June 1998	

The Company has a directors' and officers' insurance policy which indemnifies the Directors and Officers of the Company against breach of fiduciary duty.

Directors' interests

None of the Directors had any beneficial interest in the Company during the period.

Year 2000 compliance

The Directors are satisfied that reasonable efforts will have been made to ensure that the financial systems of the Company are Year 2000 compliant.

DELACONTE LIMITED**REPORT OF THE DIRECTORS (continued)****Review of the business and future developments**

The Company entered into a contract for £5,650,000 with Acon Investments Limited. The contract requires the Company to build a music school and sports hall in the grounds of the St Paul's School and St Paul's Girls' School. The building works have started on both sites and are scheduled for completion during the summer of 1999.

Auditors

During the period, PricewaterhouseCoopers were appointed as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

Directors' responsibilities

Company law requires directors to prepare financial statements for each financial year that give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable;
- (ii) prepare the financial statements on a going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



R R Pope
Secretary

16 June 1999

DELACONTE LIMITED**PROFIT AND LOSS ACCOUNT**

	Notes	Period from incorporation to 31 December 1998 £'000
Turnover	2	2,301
Property construction costs		(2,256)
Gross profit		<u>45</u>
Administrative expenses	3	(1)
Interest		<u>9</u>
Profit on ordinary activities before taxation		53
Tax on profit on ordinary activities	4	(12)
Retained profit for the year		<u>41</u>

All recognised gains and losses have been included in the profit and loss account. All turnover and expenditure relates to continuing activities.

The notes on pages 5 and 6 form an integral part of these financial statements.

DELACONTE LIMITED

BALANCE SHEET

	Notes	31 December 1998 £'000
Fixed assets		-
Current assets and liabilities		
Debtors	5	3,047
Cash		646
Creditors - amounts falling due within one year	6	(3,652)
Net assets		<u>41</u>
Capital and reserves		
Share capital	7	-
Revenue reserves	8	41
Shareholders' funds		<u>41</u>

The notes on pages 5 and 6 form an integral part of these financial statements.

The financial statements were approved by the Directors and are signed on their behalf by:

Walter H. H. H.

Chiller

Date:

16 June 1999

DELACONTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998

1 Accounting policies

(i) Accounting convention

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

(ii) Turnover

The turnover comprises amounts due in respect of construction services provided.

(iii) Cashflow

The Company has taken advantage of the exemption permitted by FRS1 (revised) for smaller companies and has not provided a cashflow statement.

2 Turnover

Turnover of £2,301,000 comprises amounts earned in respect of on-going development work.

3 Administration expenses

Administration expenses comprise auditors' remuneration only. The Directors did not receive emoluments in respect of their services for the period. All other administrative costs are borne by the parent, the Mercers' Company.

4 Taxation

	1998 £'000
Corporation tax at 21%	12

5 Debtors

	1998 £'000
Trade debtor (balance remaining in respect of construction contract with Acon Investments)	2,899
VAT recoverable	148
	<u>3,047</u>

6 Creditors - amounts falling due within one year

	1998 £'000
Trade creditors	291
Corporation tax	12
Deferred income (balance of construction contract)	3,349
	<u>3,652</u>

DELACONTE LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)**

7 Share capital	1998 Number
------------------------	------------------------

Share capital is made up of ordinary £1 shares

Authorised	100
	<hr/>

Issued and uncalled	2
	<hr/>

8 Revenue reserves

**1998
£'000**

Profit for the period	41
	<hr/>

Retained profit at 31 December	41
	<hr/>

9 Reconciliation of movements in shareholders' funds

**1998
£'000**

Profit for the year	41
	<hr/>

Shareholders' funds at 31 December	41
	<hr/>

10 Ultimate parent company

The ultimate parent company is the Mercers' Company, incorporated under Royal Charter in England.

11 Capital commitments

The Company had contractual commitments with Acon Investments Limited at 31 December 1998 to complete its development obligations for the music school and sports hall.

12 Contingent liabilities

The Company had no contingent liabilities at 31 December 1998.