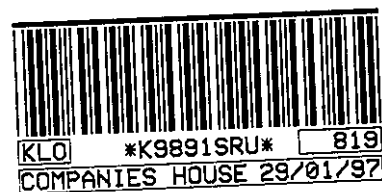


STERLING TRUST LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1995

Registered number: 1761400

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STERLING TRUST LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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CHAIRMAN'S REPORT

As a result of the capital repayments to shareholders which have taken place and the continuing policy of purchasing in the shares of shareholders who have expressed a wish to accept a capital repayment, the present position is that the company has over 1,000 Ordinary Shareholders and Deferred Ordinary Shareholders. Over £40m has been paid to shareholders, which has included the proceeds from the disposal of the company's principal asset, a small commercial bank operating as an Authorised Institution under the Banking Act 1987.

For the duration of the year the group assets have remained invested primarily in cash while the Board has investigated various investment opportunities and alternative proposals for the employment of the group's resources.

During 1995 our subsidiary companies, Sterling Property Trust Limited and Sterling Property Developments Limited successfully completed the acquisition of a number of property trading and investment companies with total asset of approximately £12m, funding these acquisitions with bank debt and secured loan stock issued by Sterling Property Trust Limited and Sterling Property Developments Limited. As a result the group now controls a portfolio of development and investment properties predominantly situated in South East England.

A number of other investments and investment projects have been initiated during the course of the year, which has included the formation of Sterling Trust Hotels Limited which has three hotel transactions currently under negotiation, two of which are in London and one in the Middle East.

Throughout the year the company continued to investigate numerous investment opportunities and has recently made a policy decision to provide shareholders with an opportunity to participate in new issues in which the company is taking direct investments, which is anticipated to include submitting details of suitable new companies to shareholders for participation.

As shareholders will be aware, the company and group has sustained capital losses in excess of £64m as a result of its investments and financial services companies in earlier years. These losses are currently being carried forward with a view to their being set against any capital gains arising within the group on new investments.

CJ Emson

Chairman

DIRECTORS' REPORT

Financial Statements

The directors present their annual report and audited consolidated financial statements for the company and its subsidiaries for the year ended 31 December 1995.

Principal Activity

Since the sale of its operating companies in 1992, the group's principal source of income has been the income derived from the investment of its liquid funds.

Results

The profit and loss account set out on page 5 shows the Company's results for the year ended 31 December 1995.

Proposed dividend and transfer of reserves

The directors recommend the payment of a dividend of £133,100 (1994: £191,000).

Transfer to reserves are set out in note 14 to the accounts.

Directors and directors' interests

The directors who held office during the year were as follows:

J.M. Bottomley
C.J. Emson
J.K. Farrell
R.G. White

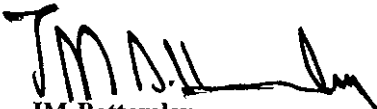
J K Farrell and R G White are retiring in accordance with the Articles of Association and, being eligible, offer themselves for re-election at the Annual General Meeting.

At 31 December 1995 the following directors held shares in Anstake Limited (the ultimate holding company):

	31 December 1995 £1 Ordinary shares	31 December 1994 £1 Ordinary shares
J.K. Farrell	1,000	1,000

No other directors had any other interest in the shares of a group company.

By order of the board 19th December 1996.


JM Bottomley
Director

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 the year. 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, subject to any material departures disclosed and explained in the financial statements; and
- 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 and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 19.

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 affairs of the company as at 31 December 1995 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

8th January 1997.

STERLING TRUST LIMITED

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CONSOLIDATED PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 1995**

	Note	Year ended 31 December <u>1995</u> £'000	Year ended 31 December <u>1994</u> £'000
Turnover			
Continuing operations	26	-	-
Acquisitions	<u>1,299</u>	1,325	-
Administrative costs (charged)/written back		(831)	203
Operating Profit		<u>494</u>	<u>203</u>
Continuing operations	2	203	
Acquisitions	<u>492</u>	494	203
Additional proceeds from sale of former subsidiary - discontinued operation		-	140
Interest receivable		104	826
Interest payable	2	(816)	-
Payments made for the redemption of shares of the company		-	(73)
Payments made to former executives of the company		-	(258)
(Loss)/Profit on ordinary activities before taxation	3	(218)	838
Tax/credit on (loss)/profit on ordinary activities	6	36	57
(Loss)/Profit on ordinary activities after taxation		<u>(182)</u>	<u>895</u>
Dividends paid		<u>(133)</u>	<u>(191)</u>
(Loss)/Profit for the financial period		<u>(315)</u>	<u>704</u>

The group has no recognised gains or losses other than those reported in the profit and loss account. Accordingly a separate statement of recognised gains and losses has not been prepared.

The notes on pages 10 to 19 form part of these financial statements.

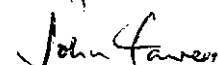
STERLING TRUST LIMITED


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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1995

	Note	Year ended 31 December 1995 £'000	Year ended 31 December 1994 £'000
Fixed assets			
Fixed asset investments	8	2,220	10
		-	
Current assets			
Debtors	9	781	794
Investments	10	7,674	
Cash on hand and at bank	11	14,509	14,117
		<u>22,964</u>	<u>14,911</u>
Creditors: amounts falling due within one year	12	(7,770)	(124)
		<u>15,194</u>	<u>14,787</u>
Net current assets			
		<u>17,414</u>	<u>14,797</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	13	(3,953)	-
		<u>13,461</u>	<u>14,797</u>
Net assets			
		<u>13,461</u>	<u>14,797</u>
Capital and reserves			
Called up share capital	14	1,524	1,524
Share premium account	15	9,776	9,776
Other reserves		(1,015)	6
Profit and loss account		3,176	3,491
		<u>13,461</u>	<u>14,797</u>

These financial statement were approved by the board of directors on ^{19th DEC} 1995 and were signed on its behalf by:


J K Farrell
Director


C J Emson
Director

The notes on pages 10 to 19 form part of these financial statements.

STERLING TRUST LIMITED

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BALANCE SHEET AS AT 31 DECEMBER 1995

	<u>Note</u>	Year ended 31 December <u>1995</u> £'000	Year ended 31 December <u>1994</u> £'000
Fixed assets			
Investment in subsidiary undertakings	8	61	58
Investment in gilts		5	5
Other investments		73	-
		<u>139</u>	<u>63</u>
Current assets			
Debtors	9	280	758
Cash on hand and at bank	11	14,341	14,094
		<u>14,621</u>	<u>14,852</u>
Creditors: amounts falling due within one year	12	(231)	(118)
		<u>14,390</u>	<u>14,734</u>
Net current assets		<u>14,390</u>	<u>14,734</u>
Total assets less current liabilities		<u>14,529</u>	<u>14,797</u>
Net assets		<u>14,529</u>	<u>14,797</u>
Capital and reserves			
Called up share capital	14	1,524	1,524
Share premium account	15	9,776	9,776
Capital redemption reserve		6	6
Profit and loss account	15	3,223	3,491
		<u>14,529</u>	<u>14,797</u>
Shareholders' funds		<u>14,529</u>	<u>14,797</u>

These financial statement were approved by the board of directors on 19m Dec 1995 and were signed on its behalf by 1995

John Farrell
J-K Farrell
Director

C J Emson
C J Emson
Director

The notes on pages 10 to 19 form part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT**FOR THE YEAR ENDED 31 DECEMBER 1995**

	Note	1995 £'000	1994 £'000
Net cash inflow/(outflow) from operating activities	16	1,253	(160)
Returns on investment and servicing of finance			
Interest received		104	547
Interest paid		(816)	
Dividends paid		(133)	(191)
Payments made to former executives of the company		-	(258)
Additional sale proceeds of former subsidiary		-	140
Net cash (outflow)/inflow from returns on investment and servicing of finance		<hr/> (845) <hr/>	<hr/> 238 <hr/>
Taxation			
Corporation tax repaid/(paid)		23	(143)
Capital expenditure and financial investment			
Purchase of current asset investments		(5)	-
Purchase of investments		(73)	-
Purchase of fixed asset investments		-	(10)
Net cash (outflow) from capital expenditure and financial investment		<hr/> (78) <hr/>	<hr/> (10) <hr/>
Acquisitions and disposals			
Net inflow from purchase of subsidiary	19	146	-
Financing			
Increase in bank and other loans	18	(107)	-
Payments to acquire own share capital		-	(11,349)
Net cash (outflow) from financing activities		<hr/> (107) <hr/>	<hr/> (11,349) <hr/>
Increase/(decrease) in cash in the period	18	<hr/> 392 <hr/>	<hr/> (11,424) <hr/>

The notes on pages 10 to 19 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 1995

	Company and group	
	1995 £'000	1994 £'000
(Loss)/Profit for the financial year	(315)	704
Opening shareholders' funds	14,797	25,369
Payments to acquire own share capital	-	(11,349)
Cancellation of acquired share capital	-	73
Goodwill arising on acquisition of subsidiary undertaking shares	(1,021)	-
Closing shareholders' funds	<u>13,461</u>	<u>14,797</u>

The notes on pages 10 to 19 form part of these financial statements

NOTES TO THE ACCOUNTS**1. Accounting policies****(a) Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The financial statements have been prepared on a going concern basis which assumes that the company will continue to trade.

(b) Basis of consolidation

These financial statements consolidate the accounts of Sterling Trust Limited and all its subsidiary undertakings. Results for the subsidiaries acquired have been included from the date of acquisition. The financial statements of Sterling Property Trust Limited and Sterling Property Developments Limited and their subsidiary undertakings were audited by Lake Bushells and a qualified opinion has been given in respect of the subsidiary undertakings.

This qualification relates to any adjustments to opening balances in subsidiary undertakings in the period 1 January to 31 December 1994 and the values at which development properties are held within the accounts of the subsidiary undertakings. Fair values have been applied to the balance sheet values at the date of acquisition being 1 January 1995 in the group accounts and accordingly the qualifications given by the auditors on the accounts of the subsidiary undertakings do not apply.

The share of interests in partnerships is reflected in the accounts of subsidiary undertakings on a proportional consolidation basis.

In accordance with Section 230(4) of the Companies Act 1985, Sterling Trust Limited is exempt from the requirement to present its own profit and loss account.

The amount of profit for the financial year dealt with in the financial statements of Sterling Trust Limited is disclosed in these accounts.

2. Interest payable

	1995 £'000	1994 £'000
On bank loans and overdrafts	650	-
Other loans	166	-
	<u>816</u>	<u>-</u>

NOTES TO ACCOUNTS (cont'd)

3. Profit on ordinary activities before taxation

	1995	1994
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging		
Auditor's remuneration:		
Audit	15	15
Other services	51	25

4. Remuneration of directors

	1995	1994
	£'000	£'000
<i>Directors' emoluments (including pension contributions)</i>		
Other emoluments	119	68
Payments made to former executives of the company	-	258
	<hr/>	<hr/>
	119	326

The emoluments, excluding pension contributions, of the chairman were £49,170 (1994:£16,135) and those of the highest paid director were £45,000 (1994: £24,589).

The emoluments, (including the chairman and highest paid directors) were within the following ranges:

	Number of directors	
	1995	1994
£0 - £ 5,000	-	1
£ 5,001 - £ 10,000	1	1
£ 15,001 - £ 20,000	1	2
£ 20,001 - £ 25,000	-	1
£ 45,001 - £ 50,000	2	1
£135,001 - £140,000	-	-
£210,001 - £215,000	-	1

5. Staff numbers and costs

The average number of persons employed by the group (excluding directors) during the year was nil (1994: nil).

NOTES TO ACCOUNTS (cont'd)

6. Taxation

	1995	1994
	£'000	£'000
Charge/(release) of corporation tax provision	(36)	(57)
Taxation charge/(credit)	<u>(36)</u>	<u>(57)</u>

A corporation tax credit of only £36,000 arises because other losses in subsidiary undertakings cannot be utilised for tax purposes.

7. Profit on ordinary activities after taxation

As provided by the section 230 of the Companies Act 1985 no separate profit and loss account is presented for the company. The loss for Sterling Trust Limited for the year dealt with in the accounts is £267,790(1994: Profit £704,092).

8. Fixed asset investments

Group	Gilts listed on Stock Exchange	Land and Buildings	Loan Stock	Total
Balance at 1 January 1995	10	-	-	10
Additions	-	-	73	73
On acquisition	-	2,137	-	2,137
	<u>10</u>	<u>2,137</u>	<u>73</u>	<u>2,220</u>
Balance at 31 December 1995	<u>10</u>	<u>2,137</u>	<u>73</u>	<u>2,220</u>

	1995	1994
	£'000	£'000
Company		
Investment in subsidiary undertakings		
Carrying value of investment at 31 December 1995	<u>61</u>	<u>58</u>

NOTES TO ACCOUNTS (cont'd)

8. Fixed asset investments (continued)

The company's principal subsidiaries were:-

<u>Name</u>	<u>Percentage of Ordinary Shares held</u>	<u>Activity</u>
Argyle Trust Limited	100% - Registered in Scotland	Investment holding company
Sterling Property Developments Limited	100%	Property development company
Sterling Property Trust Limited	100%	Property investment company
Terminal Six (Heathrow) Limited	100%	Development company
First City Care (Holdings) Limited	100%	Holding company
Sterling Trust Hotels Limited	100%	Hotel management company

9. Debtors

	<u>Group</u>		<u>Company</u>	
	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>	<u>1994</u> <u>£'000</u>
Trade debtors	93	-	-	-
Amounts owed by immediate parent undertaking	-	279	-	382
Prepayments and accrued income	-	513	-	374
Other debtors	688	2	288	2
	<u>781</u>	<u>794</u>	<u>288</u>	<u>758</u>

NOTES TO ACCOUNTS (cont'd)

10. **Investments**

Group	Listed on Stock Exchange	Development Properties	Total
	£'000	£'000	£'000
As at 1 January 1995	-	-	-
Additions	5	-	-
On acquisition	-	8,545	8,545
Write off of capitalised interest	<u>-</u>	<u>(876)</u>	<u>(876)</u>
As at 31 December 1995	<u>5</u>	<u>7,669</u>	<u>7,674</u>

During the year the group acquired a number of secured loans to property investment and development companies. Subsequently the companies to which these loans were extended were themselves acquired by the group. The write-off of capitalised interest occurred during the course of 1995 but did not, in the view of the directors, diminish the value of the loans or companies acquired.

11. **Cash on hand and at bank**

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Cash held in retention accounts	-	253	-	253
Other cash balances	14,509	13,864	14,341	13,841
	<u>14,509</u>	<u>14,117</u>	<u>14,341</u>	<u>14,094</u>

Included in other cash balances is £13 million held in a current account which represents the security for the bank loans of the company's immediate parent undertaking, The Sterling Credit Group Limited. No interest is earned on this deposit.

STERLING TRUST LIMITED

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NOTES TO ACCOUNTS (cont'd)**12. Creditors: amounts falling due within one year**

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	5,425	-	-	-
Trade creditors	26	-	-	-
Amounts owed to subsidiary undertakings -	-	-	39	-
Other creditors including taxation and social security:	10	-	-	-
Corporation tax	73	-	-	-
Other creditors	320	-	-	-
Other loans	1,543	-	-	-
Accruals and deferred income	373	124	192	118
	<u>7,770</u>	<u>124</u>	<u>231</u>	<u>118</u>

Bank and other loans amounting to £7 million are secured by fixed and floating charges over the freehold investment properties. These loans will be repaid from the realisation of developments and are limited in recourse to the realisable value of the investment properties.

13. Creditors: amounts falling due after more than one year

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Loan Stock	3,953	-	-	-
	<u>3,953</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Loan Stock was issued on 31 December 1994 in part consideration of the acquisition of secured loans to property owning partnerships.

The Loan Stock was due to be repaid on 31 March 1996.

Repayment has been extended to 30 June 1997. The interest rate on the Loan Stock increases to 2.5% p.a. over Barclays base rate on 30 June 1996 and 4% over Barclays base rate on 31 December 1996.

The Loan Stock is secured by way of a legal mortgage over all the property and assets of the partnerships, and a floating charge over the Group's property assets and undertakings.

STERLING TRUST LIMITED

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NOTES TO ACCOUNTS (cont'd)

14. Share capital

Authorised share capital

	<u>1995</u>		<u>1994</u>	
	Number of shares	Share capital £	Number of shares	Share capital £
Ordinary shares of 10p each	28,041,859	2,804,186	28,041,859	2,804,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>3,206,897</u>		<u>3,206,897</u>

Issued share capital

Ordinary shares of 10p each	11,211,861	1,121,186	11,211,861	1,121,186
Deferred shares of 1p each	40,271,128	402,711	40,271,128	402,711
		<u>1,523,897</u>		<u>1,523,897</u>

15. Share premium and reserves

	Group		
	Other reserves	Share premium account £'000	Profit and loss account £'000
At beginning of year	6	9,776	3,491
Loss for year	-		(315)
Goodwill arising on acquisition of subsidiary undertaking shares	(1,021)	-	-
At end of year	<u>(1,015)</u>	<u>9,776</u>	<u>3,176</u>

	Company		
	Other reserves	Share premium account £'000	Profit and loss account £'000
At beginning of year	6	9,776	3,491
Loss for year	-		(268)
Goodwill arising on acquisition of subsidiary undertaking shares	(1,021)	-	-
At end of year	<u>(1,015)</u>	<u>9,776</u>	<u>3,223</u>

STERLING TRUST LIMITED

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NOTES TO ACCOUNTS (cont'd)

16. Reconciliation of operating profit/(loss) to net cashflow from operating activities

	1995 £'000	1994 £'000
Operating profit/(loss) (net of interest received)	494	203
Loss on sale of fixed tangible assets	-	-
Profit on sale of investments	-	-
Decrease in other debtors	639	156
Adjustment of capitalised costs	876	-
Increase/(decrease) accrued expenses and other creditors	(756)	(519)
Net cash inflow/(outflow) from operating activities	<u>1,253</u>	<u>(160)</u>

17. Analysis of net debt

	At 1 Jan 1995 £'000	Cash Flow £'000	Acquisition (excluding cash and overdrafts) £'000	Other non-cash changes £'000	31 Dec 1995 £'000
Cash in hand, at bank	14,117	392	-	-	14,509
Overdrafts	-	-	-	-	-
	14,117	392	-	-	14,509
Bank loans	-	234	(5,017)	(642)	(5,425)
Other loans	-	(127)	(1,416)	-	(1,543)
Debts due within one year	-	107	(6,433)	(642)	(6,968)
Debts due after one year	-	-	(642)	(3,311)	(3,953)
Current asset investments	-	5	-	-	5
TOTAL	<u>14,117</u>	<u>504</u>	<u>(7,075)</u>	<u>(3,953)</u>	<u>3,593</u>

STERLING TRUST LIMITED

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NOTES TO ACCOUNTS (cont'd)

18. Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the period	392
Cash inflow from increase in debt finance	107
Cash inflow from increase in financing	5
	<hr/>
Change in net debt resulting from cash flows	504
Loans acquired with subsidiary	(7,075)
Issue of loan notes	(3,953)
Movement in net debt in the period	(10,524)
Net funds at 1.1.95	14,117
Net funds at 31.12.95	<u>3,593</u>

19. Purchase of subsidiary undertaking

The Company acquired a number of property companies during the year.

	1995
	£'000
Net assets /(liabilities) acquired	
Fixed asset investments	2,137
Debtors	626
Property developments	8,545
Cash	146
Bank overdraft	-
Bank and other loans	(7,075)
Creditors	(5,314)
Corporation Tax	(86)
Provisions for liabilities and charges	-
Other creditors	-
	<hr/>
	(1,021)
Minority interests	-
	<hr/>
Net liabilities purchased	(1,021)
Goodwill	1,021
	<hr/>
Gross purchase price	-
	<hr/>

NOTES TO ACCOUNTS (cont'd)**19. Purchase of subsidiary undertaking (continued)**

Net cash inflow resulting from purchase		
Gross purchase proceeds	-	(5)
Add: cash at bank and in hand acquired	146	-
Add: cash held within The Sterling Credit Group Ltd	-	14,349
Bank overdraft held within The Sterling Credit Group Ltd	-	(2,834)
	<u>146</u>	<u>11,510</u>

20. Contingency liability

The company has guaranteed the bank loans and overdrafts and provisions for potential warranty claims of its immediate parent undertaking, The Sterling Credit Group Limited, up to the amount of £13,000,000. The bank loans and overdrafts of The Sterling Credit Group Limited are secured by cash deposits held by the company.

21. Immediate parent undertaking and ultimate parent undertaking

The company is a subsidiary undertaking of The Sterling Credit Group Limited. The ultimate parent undertaking for which group accounts are drawn up is Anstake Limited. The Sterling Credit Group Limited and Anstake Limited are registered in England and Wales. Copies of the accounts of the ultimate parent undertaking will be obtainable from Fraser House, 29 Albemarle Street, London W1X 3FA and Companies House.