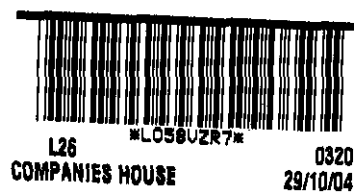


Registration number 2314954

Fairgate Estates Ltd

Directors' report and financial statements

for the year ended 31 December 2003



Fairgate Estates Ltd

Company information

Directors	Sir (Chief) L.O. Akindele Oluwatoyin Omobola Akindele Rosaline Atema Akindele
Secretary	Mr S.M. Saeed
Company number	2314954
Registered office	68 Great Eastern Street London EC2A 3JT
Auditors	Siddiqi & Co. 68 Great Eastern Street London EC2A 3JT
Business address	78 New Oxford Street London WC1A 1AH
Bankers	National Westminster Bank Plc PO Box 34 15 Bishopsgate London EC2P 2AP

Fairgate Estates Ltd

Contents

	Page
Directors' report	1
Auditors' report	2 - 3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 9

Fairgate Estates Ltd

**Directors' report
for the year ended 31 December 2003**

The directors present their report and the financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the company throughout the year continued to be that of property developers and dealers in properties.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	31/12/03	01/01/03
Sir (Chief) L.O. Akindele	-	-
Oluwatoyin Omobola Akindele	-	-
Rosaline Atema Akindele	-	-

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

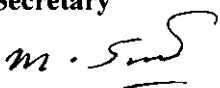
Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Siddiqi & Co. be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 20 October 2004 and signed on its behalf by

Mr S.M. Saeed
Secretary



Fairgate Estates Ltd

Independent auditors' report to the shareholders of Fairgate Estates Ltd

We have audited the financial statements of Fairgate Estates Ltd for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Fairgate Estates Ltd

Independent auditors' report to the shareholders of Fairgate Estates Ltd continued

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Siddiqi & Co.
Chartered Accountants and
Registered Auditors
20 October 2004**

**68 Great Eastern Street
London
EC2A 3JT**

Fairgate Estates Ltd

**Profit and loss account
for the year ended 31 December 2003**

		2003	2002
	Notes	£	Restated £
Turnover	2	1,050,000	1,075,000
Cost of sales		(900,000)	(750,000)
Gross profit		150,000	325,000
Administrative expenses		(183,289)	(290,793)
Other operating income		782,266	806,013
Operating profit	3	748,977	840,220
Other interest receivable and similar income		-	3,333
Interest payable and similar charges		(223,116)	(273,919)
Profit on ordinary activities before taxation		525,861	569,634
Tax on profit on ordinary activities	5	(3,800)	(65,932)
Profit on ordinary activities after taxation		522,061	503,702
Retained profit for the year		522,061	503,702
Accumulated loss brought forward		(4,583,771)	(5,087,473)
Accumulated loss carried forward		(4,061,710)	(4,583,771)
Statement of total recognised gains and losses			
Profit on ordinary activities after taxation		522,061	503,702
Unrealised movement on revaluation of property		1,941,741	-
Total recognised gains relating to the year		2,463,802	503,702

The notes on pages 6 to 9 form an integral part of these financial statements.

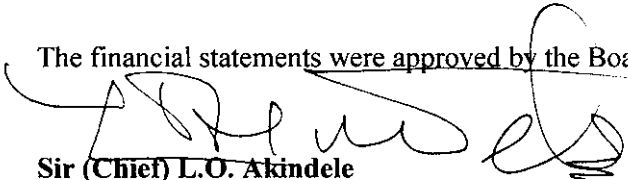
Fairgate Estates Ltd

**Balance sheet
as at 31 December 2003**

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Investments	6		10,341,741		8,400,000
Current assets					
Stocks		-		900,000	
Debtors	7	756,181		875,386	
Cash at bank and in hand		109,241		60,523	
		<u>865,422</u>		<u>1,835,909</u>	
Creditors: amounts falling due within one year	8	<u>(7,406,546)</u>		<u>(8,836,310)</u>	
Net current liabilities			<u>(6,541,124)</u>		<u>(7,000,401)</u>
Total assets less current liabilities			3,800,617		1,399,599
Creditors: amounts falling due after more than one year	9		<u>(4,370,586)</u>		<u>(4,433,370)</u>
Deficiency of assets			<u>(569,969)</u>		<u>(3,033,771)</u>
Capital and reserves					
Called up share capital	10		100,000		100,000
Revaluation reserve	11		3,391,741		1,450,000
Profit and loss account	11		<u>(4,061,710)</u>		<u>(4,583,771)</u>
Shareholders' funds			<u>(569,969)</u>		<u>(3,033,771)</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 20 October 2004 and signed on its behalf by


Sir (Chief) L.O. Akindele
Director

The notes on pages 6 to 9 form an integral part of these financial statements.

Fairgate Estates Ltd

Notes to the financial statements for the year ended 31 December 2003

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.4. Stock

Stock is valued at the lower of cost and net realisable value.

1.5. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

Fairgate Estates Ltd

Notes to the financial statements for the year ended 31 December 2003

..... continued

3. Operating profit	2003	2002
	£	£
Operating profit is stated after charging:		
Auditors' remuneration	<u>7,787</u>	<u>5,635</u>

5. Tax on profit on ordinary activities

Analysis of charge in period	2003	2002
	£	£
Current tax		
UK corporation tax	<u>3,800</u>	<u>65,932</u>

6. Fixed asset investments

	Other unlisted investments	Total
	£	£
Cost		
At 1 January 2003	8,400,000	8,400,000
Revaluations	<u>1,941,741</u>	<u>1,941,741</u>
At 31 December 2003	<u>10,341,741</u>	<u>10,341,741</u>
Net book values		
At 31 December 2003	<u>10,341,741</u>	<u>10,341,741</u>
At 31 December 2002	<u>8,400,000</u>	<u>8,400,000</u>

Investment properties were revalued to their open market value at the end of the year by independent firms of chartered surveyors GeraldEve and Nelson Bakewell.

Fairgate Estates Ltd

**Notes to the financial statements
for the year ended 31 December 2003**

..... continued

7. Debtors	2003	2002
	£	£
Amounts owed by group undertakings	649,749	754,923
Other debtors	94,678	110,113
Prepayments and accrued income	11,754	10,350
	<u>756,181</u>	<u>875,386</u>
 8. Creditors: amounts falling due within one year	 2003	 2002
	£	£
Bank loan	60,507	61,376
Amounts owed to group undertaking	6,930,363	8,217,677
Corporation tax	69,732	65,932
Other creditors	76,822	76,822
Accruals and deferred income	269,122	414,503
	<u>7,406,546</u>	<u>8,836,310</u>
 9. Creditors: amounts falling due after more than one year	 2003	 2002
	£	£
Bank loan	<u>4,370,586</u>	<u>4,433,370</u>
 10. Share capital	 2003	 2002
	£	£
Authorised		
100,000 Ordinary shares of 1 each	<u>100,000</u>	<u>100,000</u>
 Allotted, called up and fully paid		
100,000 Ordinary shares of 1 each	<u>100,000</u>	<u>100,000</u>

Fairgate Estates Ltd

Notes to the financial statements for the year ended 31 December 2003

..... continued

11. Reserves	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2003	1,450,000	(4,583,771)	(3,133,771)
Revaluation of property	1,941,741		1,941,741
Retained profit for the year		522,061	522,061
At 31 December 2003	<u>3,391,741</u>	<u>(4,061,710)</u>	<u>(669,969)</u>

12. Contingent liabilities

The parent company negotiated a bank loan in 2000 of £18m for its own use and the use of its subsidiaries, Fairgate Securities Ltd., Fairgate Enterprises Ltd., and Fairgate Developments Ltd. The loan is secured on the investment properties and on the stock of properties of these companies and is guaranteed by them.

13. Ultimate parent undertaking

The company is a subsidiary undertaking of Fairgate Group Ltd. The ultimate parent company is Continental Holdings SA, a company incorporated in Luxembourg.

14. Going concern

The deficiency in net assets has been caused mainly due to the amounts owed to the group undertakings of £6,930,361. The directors consider that they have taken into account all the information that could reasonably be expected to be available. On this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis.

15. Restatement

The figures for 2002 have been restated because of stock value adjustment. The closing stock figure for 2002 has been increased by £350,000 which resulted in an increase in profits for the year and hence increase in profits brought forward for 2003.

Fairgate Estates Ltd

The following pages do not form part of the statutory accounts.

Fairgate Estates Ltd

**Detailed trading profit and loss account
and expenses schedule
for the year ended 31 December 2003**

	2003		2002	
	£	£	£	£
Sales				
Sales classification 1 (type A)		1,050,000		1,075,000
		<u>1,050,000</u>		<u>1,075,000</u>
Cost of sales				
Opening stock	900,000		1,650,000	
Closing stock	<u>-</u>		<u>(900,000)</u>	
		<u>(900,000)</u>		<u>(750,000)</u>
Gross profit		150,000		325,000
Administrative expenses				
Wages and salaries	13,964		8,250	
Management expenses	8,333		9,875	
Rent, rates, light and heat	121,417		161,470	
Cleaning	360		360	
Repairs and maintenance	2,758		39,065	
Printing, postage and stationery	1,255		1,255	
Advertising	1,557		-	
Telephone	1,229		1,229	
Travelling and entertainment	1,829		2,130	
Entertaining	140		140	
Legal and professional	20,617		59,183	
Audit	7,787		5,635	
Bank charges	156		295	
Staff recruitment	1,575		1,575	
General expenses	<u>312</u>		<u>331</u>	
		<u>183,289</u>		<u>290,793</u>
Other operating income				
Rent receivable	768,556		800,038	
Sundry income	<u>13,710</u>		<u>5,975</u>	
		<u>782,266</u>		<u>806,013</u>
Operating profit		748,977		840,220
Other income and expenses				
Interest receivable				
Bank deposit interest	<u>-</u>		<u>3,333</u>	
		-		3,333

Fairgate Estates Ltd

**Detailed trading profit and loss account
and expenses schedule
for the year ended 31 December 2003**

	2003		2002	
	£	£	£	£
Interest payable				
Bank interest	223,116		273,919	
		(223,116)		(273,919)
Net profit for the year		525,861		569,634