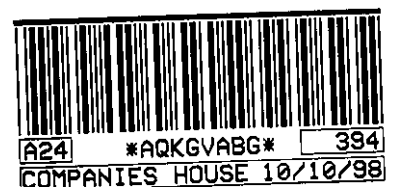


Mohican Nominees Limited

Report and Accounts

13 DECEMBER 1997



Mohican Nominees Limited

Registered No. 2522241

DIRECTORS

G P Mackay
F Mathew
D Ward

SECRETARY

G P Mackay

AUDITORS

Ernst & Young
400 Capability Green
Luton
Beds
LU1 3LU

BANKERS

Norwich Union
P O Box 21
Surrey Street
Norwich
NR1 3NJ

SOLICITORS

Beaumont and Son
Lloyds Chambers
1 Portsoken Street
London
E1 8AW

REGISTERED OFFICE

400 Capability Green
Luton
Beds
LU1 3LU

Mohican Nominees Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 13 December 1997.

PRINCIPAL ACTIVITY

The company's principal activity is the holding of investment property.

DIRECTORS AND THEIR INTERESTS

The directors at 13 December 1997 and their interests in the share capital of the company were as follows:

	<i>At 13 December 1997 Ordinary shares</i>	<i>At 13 December 1996 Ordinary shares</i>
G P Mackay	1	1
D Ward	1	1
F Mathew	—	—

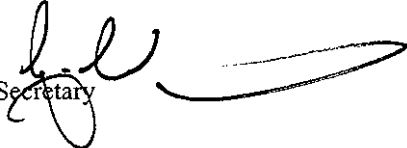
AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

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

By order of the Board


Secretary

07 OCT 1998

Mohican Nominees Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 that period. 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; and
- prepare the accounts 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 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.

**REPORT OF THE AUDITORS
to the members of Mohican Nominees Limited**

We have audited the accounts on pages 6 to 10, which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention as modified by the revaluation of investment properties and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 company's circumstances, consistently applied and adequately disclosed.

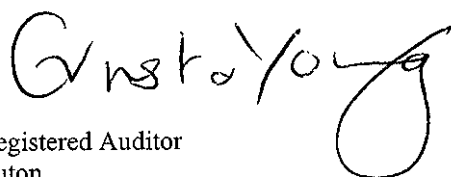
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the uncertainty over the continuing financial support of the company's bankers. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 13 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Registered Auditor
Luton

07 OCT 1998

Mohican Nominees Limited

PROFIT AND LOSS ACCOUNT for the year ended 13 December 1997

	<i>Notes</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER	2	725,000	711,736
OPERATING COSTS	3	16,546	21,072
OPERATING PROFIT		<u>708,454</u>	<u>690,664</u>
Bank interest receivable		7,015	16,721
Interest payable and similar charges	5	(759,000)	(761,515)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(43,531)</u>	<u>(54,130)</u>
Tax on loss on ordinary activities		—	—
LOSS FOR THE FINANCIAL YEAR	11	<u>(43,531)</u>	<u>(54,130)</u>

There were no recognised gains or losses other than the loss attributable to shareholders of the company.

Mohican Nominees Limited

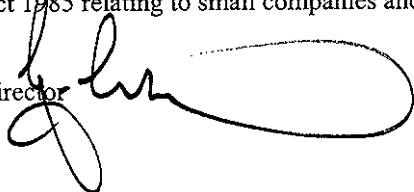
BALANCE SHEET

at 13 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	6	6,400,000	6,400,000
CURRENT ASSETS			
Debtors	7	251,467	252,856
Cash at bank and in hand		21,577	60,045
		273,044	312,901
CREDITORS: amounts falling due within one year	8	491,314	487,640
NET CURRENT LIABILITIES		(218,270)	(174,739)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,181,730	6,225,261
CREDITORS: amounts falling due in more than one year	9	5,500,000	5,500,000
		681,730	725,261
CAPITAL AND RESERVES			
Called up share capital	10	2	2
Revaluation reserve	11	1,248,864	1,248,864
Profit and loss account	11	(567,136)	(523,605)
Equity shareholders' funds		681,730	725,261

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

Director



07 OCT 1998

Mohican Nominees Limited

NOTES TO THE ACCOUNTS at 13 December 1997

1. ACCOUNTING POLICIES

Fundamental accounting concept note

The company is dependent on continuing finance being made available to the company. Continuing finance is required both to enable the company to meet its liabilities as they fall due and to continue operating without immediate realisation of all its assets.

The directors believe that continuing finance will be available and that it is therefore appropriate to prepare the accounts on a going concern basis. However, should continuing financing not be available, the going concern basis would be invalid and adjustments would have to be made to reduce the value of assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of investment properties and in accordance with applicable accounting standards.

Investment properties

Investment properties are stated at their open market value. Professional valuations of properties will take place periodically and during the period between professional valuations the properties will be valued by the directors.

No depreciation is provided in respect of leasehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties and changes in that current value are of prime importance rather than a calculation of systematic annual depreciation. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

2. TURNOVER

Turnover comprises rentals receivable on properties, all of which are continuing and all arises in the United Kingdom.

3. OPERATING COSTS

	1997 £	1996 £
Auditors' remuneration	2,500	2,500
Other operating costs	14,046	18,572
	<u>16,546</u>	<u>21,072</u>

4. DIRECTORS' REMUNERATION

The directors received no remuneration from the company during the year.

Mohican Nominees Limited

NOTES TO THE ACCOUNTS at 13 December 1997

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Bank loans and overdrafts	759,000	761,515

6. TANGIBLE FIXED ASSETS

The net book value of land and buildings comprises:

	1997 £	1996 £
Investment properties: Long leasehold	6,400,000	6,400,000

Investment properties were valued on an open market value for existing use basis on 7 September 1990 by Henry Davis & Company valuers. In the opinion of the directors, this is a fair value at 13 December 1997. The historical cost of the investment properties at 13 December 1997 was £5,151,136.

7. DEBTORS

	1997 £	1996 £
Trade debtors	212,969	212,969
Other debtors	38,498	39,887
	251,467	252,856

8. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Trade creditors	5,229	1,028
Other taxes and social security costs	157,532	158,040
Other creditors	328,553	328,572
	491,314	487,640

Mohican Nominees Limited

NOTES TO THE ACCOUNTS at 13 December 1997

9. LOANS

	1997 £	1996 £
Bank loan at 13.8% per annum, wholly repayable on 23 October 2000	5,500,000	5,500,000

The bank loan is secured by a charge on the company's leasehold property.

10. SHARE CAPITAL

	1997 £	Authorised 1996 £	Allotted, called up and fully paid 1997 £	1996 £
Ordinary shares of £1 each	1,000	1,000	2	2

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Re- valuation reserve £	Total £
At 14 December 1995	2	(469,475)	1,248,864	779,391
Loss for the year	—	(54,130)	—	(54,130)
At 14 December 1996	2	(523,605)	1,248,864	725,261
Loss for the year	—	(43,531)	—	(43,531)
At 13 December 1997	2	(567,136)	1,248,864	681,730

12. TRANSACTIONS WITH DIRECTORS

Included in 'other debtors' (note 7) is a loan of £35,233 to Worthearly Limited, a company in which G P Mackay is a director and shareholder. Also included in 'other creditors' (note 8) is £29,564 due to G P Mackay relating to company expenses paid by the director which will be repaid in the future.