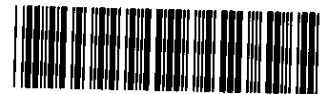


HAVERSTOCK HOMES PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST MAY 1999



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HAVERSTOCK HOMES PLC

COMPANY INFORMATION

| | | |
|--------------------------|---|-----------------|
| Directors | Mr Robert J Horne Mr Alexander N Zorbas Mr Thamyras Zorbas | <i>Chairman</i> |
| Secretary | Mr Alexander N Zorbas | |
| Company Number | SC123618 | |
| Registered Office | 90 St Vincent Street Glasgow G2 5UB | |
| Auditors | Mazars Neville Russell Chartered Accountants and Registered Auditors 90 St Vincent Street Glasgow G2 5UB | |
| Bankers | National Westminster Bank plc 169 Victoria Street London SW1E 5BT Lloyds Bank Hampstead Branch 40 Rosslyn Hill London NW3 1NL | |

HAVERSTOCK HOMES PLC

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HAVERSTOCK HOMES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MAY 1999

The directors present their report together with the audited accounts for the year ended 31st May 1999.

Principal Activities and Review of Business

The company's principal activity continued to be that of the letting of property on assured tenancies.

The company did not receive any rental income during the year due to utilising financial resources on upgrading properties for letting in due course. The directors were actively seeking suitable properties during the year to buy to let, but were not successful in doing so.

Results and Dividends

The results for the year are set out in the profit and loss account on page 4.

The directors do not recommend a dividend and the retained loss of £82,507 will be deducted from reserves.

Future Developments

The Directors are continuously looking to acquire residential investments and/or vacant properties suitable for conversion and refurbishment into residential units for letting. However, the residential property market has been affected by rapid price inflation over the last couple of years and the Directors are of the opinion that the market may be overheating at present and, therefore, they are very reluctant to commit the company to purchase new properties, unless and until suitable opportunities arise.

Fixed Assets

Details of movements in fixed assets are set out in the notes to the accounts. The significant changes in fixed assets were the disposals and acquisitions of leasehold properties.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

| | Ordinary Shares of £0.50 each | |
|--|--|------------------------------|
| | 31st May 1999 | 1st June 1998 |
| Mr Robert J Horne | - | - |
| Mr Alexander N Zorbas | 84,620 | 2,000 |
| Mr Thamyris Zorbas | - | - |
| Mrs Eugenia Siapera - resigned 1st July 1998 | - | - |

Mr Robert Horne retired by rotation at the Annual General Meeting and was reappointed. Mr T Zorbas and Mr A Zorbas retired by rotation at the Annual General Meeting on the 5th February 1999. They were reappointed on the 12th March 1999.

Year 2000

The directors have considered whether the company's operations could be adversely affected by malfunctions in computer or other equipment arising from errors in processing dates in the year 2000 and beyond. The directors have determined that no part of the company's current operations are critically dependant on computer or other equipment which could be affected by the year 2000 problems.

HAVERSTOCK HOMES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MAY 1999

Political and Charitable Contributions

The company made no political or charitable contributions during the year.

Policy and Practice on Payment of Creditors

The company aims to pay all of its creditors promptly.

It is the company's policy to:

- i) settle the terms of payment when agreeing the terms of each transaction with each supplier;
- ii) ensure that all suppliers are made aware of the terms of payment, and;
- iii) abide by the terms of payment in accordance with contractual and other legal obligations.

The ratio expressed in days, between amounts invoiced to the company by suppliers for the year ended 31st May 1999 and the amounts owed to its trade creditors at the end of the year was zero.

Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss for that year. In preparing these accounts 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 accounts;

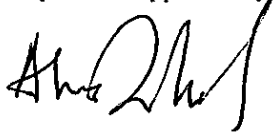
Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and 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.

Auditors

The auditors, Moores Rowland, resigned during the year and Mazars Neville Russell were appointed during the year. A resolution to reappoint Mazars Neville Russell as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 29th December 1999, and signed on its behalf.



Mr Alexander N Zorbas, Secretary

Date: 29th December 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF HAVERSTOCK HOMES PLC

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 2 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 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 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 the information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st May 1999 and of its loss and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars Neville Russell
Chartered Accountants and
Registered Auditors
90 St Vincent Street
Glasgow
G2 5UB

Date: 29 December 1999

HAVERSTOCK HOMES PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MAY 1999

| | Notes | 1999 £ | 1998 £ |
|---|-------|------------------------|----------------------|
| Turnover | 2 | - | 12,682 |
| Administrative Expenses | | <u>27,844</u> | <u>24,465</u> |
| Other operating income | | <u>(27,844)</u> | <u>(11,783)</u> |
| | | - | (168) |
| Operating (Loss) | 3 | <u>(27,844)</u> | <u>(11,951)</u> |
| Exceptional Items | | | |
| Loss/Profit on sale of fixed assets | 4 | <u>(24,517)</u> | <u>27,067</u> |
| | | <u>(52,361)</u> | <u>15,116</u> |
| Interest Receivable | | 2,121 | 6,897 |
| Interest Payable and Similar Charges | 5 | <u>(8,385)</u> | <u>(1,233)</u> |
| Loss/Profit on Ordinary Activities before Taxation | | <u>(58,625)</u> | <u>20,780</u> |
| Tax on loss/profit on ordinary activities | 6 | <u>23,882</u> | <u>-</u> |
| Loss/Profit for the Financial Year | 12 | <u><u>(82,507)</u></u> | <u><u>20,780</u></u> |

All amounts relate to continuing activities.

HAVERSTOCK HOMES PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST MAY 1999

| | 1999 £ | 1998 £ |
|--|-----------------|---------------|
| Statement of Total Recognised Gains and Losses | | |
| Loss for the financial year | (82,507) | 20,780 |
| Unrealised surplus on revaluations of leasehold land and buildings | 179,961 | - |
| Total recognised gains relating to the year | <u>97,454</u> | <u>20,780</u> |
| Historical Costs Profits and Losses | | |
| Loss/Profit on ordinary activities before taxation | (58,625) | 20,780 |
| Realisation of revaluation (loss)/profit of previous periods | - | (15,307) |
| Historical cost losses/profit on ordinary activities before taxation | <u>(58,625)</u> | <u>5,473</u> |
| Historical cost losses/profit for the year retained after taxation, dividends and other appropriations | <u>(58,625)</u> | <u>5,473</u> |

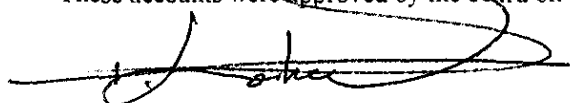
HAVERSTOCK HOMES PLC

BALANCE SHEET

AS AT 31ST MAY 1999

| | Notes | 1999 £ | 1998 £ |
|--|-------|-----------|-----------|
| Fixed Assets | | | |
| Tangible assets | 7 | 625,000 | 182,422 |
| Current Assets | | | |
| Debtors | 8 | 879 | 33,822 |
| Cash at bank and in hand | | 3,159 | 211,294 |
| | | 4,038 | 245,116 |
| Creditors: Amounts Falling Due Within One Year | 9 | 90,431 | 10,267 |
| Net Current Liabilities/Assets | | (86,393) | 234,849 |
| Total Assets Less Current Liabilities | | 538,607 | 417,271 |
| Provision for Liabilities and Charges | | | |
| Deferred taxation | 10 | 23,882 | - |
| | | 514,725 | 417,271 |
| Capital and Reserves | | | |
| Share capital | 11 | 229,983 | 229,983 |
| Share premium account | 12 | 165,201 | 165,201 |
| Revaluation reserve | 12 | 179,961 | - |
| Profit and loss account | 12 | (60,420) | 22,087 |
| Shareholders' Funds | 17 | 514,725 | 417,271 |

These accounts were approved by the board on 29th December 1999 and signed on its behalf.



Mr Thamyris Zorbas
Director

HAVERSTOCK HOMES PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MAY 1999

| | Notes | 1999 £ | 1998 £ |
|--|-------|---------------|-----------------|
| Reconciliation of Operating Loss to Net Cash Inflow from Operating Activities | | | |
| Operating loss | | (27,844) | (11,951) |
| Decrease/Increase in debtors | | 32,943 | (30,110) |
| Increase/Decrease in creditors | | 5,830 | (12,792) |
| Net Cash Inflow from Operating Activities | | 10,929 | (54,853) |

CASH FLOW STATEMENT

| | | | |
|--|----|------------------|-----------------|
| Net Cash Inflow from Operating Activities | | 10,929 | (54,853) |
| Returns on Investments and Servicing of Finance | 15 | (6,264) | 5,664 |
| Capital Expenditure and Financial Investment | 15 | (287,134) | 94,645 |
| Cash Outflow Before Use of Liquid Resources and Financing | | (282,469) | 45,456 |
| Financing | 15 | 68,132 | - |
| Decrease/Increase in Cash | | (214,337) | 45,456 |

Reconciliation of Net Cash Flow to Movement in Net Debt

| | | | |
|---|----|------------------|----------------|
| Decrease in Cash in the Year | | (214,337) | 45,456 |
| Cash inflow from increase in net debt and lease financing | 16 | (68,132) | - |
| Increase in Net Debt | 16 | (282,469) | 45,456 |
| Net Debt at 1st June 1998 | | 211,294 | 165,838 |
| Net Debt/Funds at 31st May 1999 | 16 | (71,175) | 211,294 |

HAVERSTOCK HOMES PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1999

1 Accounting Policies

Basis of Accounting

The Accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or revaluation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors, compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

Deferred Taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advanced corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

2 Turnover

The turnover and operating loss for the year were derived from the company's principal activity which was carried out wholly in the UK and is that of letting property on assured tenancies.

3 Operating Loss

The operating loss is arrived at after charging or crediting:

| | 1999 | 1998 |
|------------------------|-------|-------|
| | £ | £ |
| Directors' fees | 1,000 | - |
| Auditors' remuneration | 2,409 | 2,451 |

4 Exceptional Items

| | 1999 | 1998 |
|-------------------------------------|----------|--------|
| | £ | £ |
| Loss/Profit on sale of fixed assets | (24,517) | 27,067 |

During the year, the company disposed of a leasehold property and after allowing for cost and selling costs, there was a loss on disposal of £24,517.

HAVERSTOCK HOMES PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1999

| | | | |
|----------|--|---|----------------|
| 5 | Interest Payable and Similar Charges | 1999 | 1998 |
| | | £ | £ |
| | Bank overdrafts and loans repayable within five years | 8,385 | 1,233 |
| 6 | Taxation | 1999 | 1998 |
| | | £ | £ |
| | Deferred tax charge | 23,882 | - |
| 7 | Tangible Fixed Assets | | |
| | | Leasehold Land and Buildings | Total |
| | Cost or valuation | £ | £ |
| | At 1st June 1998 | 182,422 | 182,422 |
| | Additions | 377,514 | 377,514 |
| | Disposals | (114,897) | (114,897) |
| | Revaluations | 179,961 | 179,961 |
| | At 31st May 1999 | 625,000 | 625,000 |
| | Net Book Value | | |
| | At 31st May 1999 | 625,000 | 625,000 |
| | At 31st May 1998 | 182,422 | 182,422 |
| | The long leasehold land and buildings are shown at their market value of £625,000. | | |
| 8 | Debtors | 1999 | 1998 |
| | | £ | £ |
| | Trade debtors | 879 | 322 |
| | Other debtors | - | 33,500 |
| | | 879 | 33,822 |
| 9 | Creditors: Amounts Falling Due Within One Year | 1999 | 1998 |
| | | £ | £ |
| | Bank loans and overdrafts | 74,334 | - |
| | Trade creditors | 3,317 | - |
| | Other creditors | - | 251 |
| | Directors' loan accounts | 3,733 | 216 |
| | Accruals and deferred income | 9,047 | 9,800 |
| | | 90,431 | 10,267 |

The bank loans and overdrafts are secured by a fixed charge over the company's leasehold land and buildings.

HAVERSTOCK HOMES PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1999

10 Deferred Taxation

The movements in deferred taxation during the current and previous years are as follows:

| | 1999 £ | 1998 £ |
|----------------------|-----------|-----------|
| At 1st June 1998 | - | - |
| Movement in the year | 23,882 | - |
| At 31st May 1999 | 23,882 | - |

Deferred taxation provided and unprovided for in the accounts is set out below.

| | Amount Provided | |
|----------------------|-----------------|-----------|
| | 1999 £ | 1998 £ |
| Property revaluation | 23,882 | - |

11 Share Capital

Authorised Equity Shares

15,000,000 Ordinary shares of £0.50 each

| | 1999 £ | 1998 £ |
|--|-----------|-----------|
| | 7,500,000 | 7,500,000 |

Allotted Equity Shares

459,965 Allotted, called up and fully paid ordinary shares of £0.50 each

| | 1999 £ | 1998 £ |
|--|-----------|-----------|
| | 229,983 | 229,983 |

12 Reserves

| | Share Premium Account | Property Revaluation Reserve | Profit and Loss Account |
|--|-----------------------------|------------------------------------|-------------------------------|
| | £ | £ | £ |
| At 1st June 1998 | 165,201 | - | 22,087 |
| Loss/Profit for the year | - | - | (82,507) |
| Unrealised surplus on revaluations of land and buildings | - | 179,961 | - |
| At 31st May 1999 | 165,201 | 179,961 | (60,420) |

13 Transactions with Directors

Mr T Zorbas received a fee of £2,000 for negotiating the sale of a property and £2,500 for negotiating the purchase of a property in Kensington. He also incurred £1,266 of administrative expenses in the year. At the end of the year he was owed £3,733. Mr R Horne was reimbursed for expenses incurred in attending the Annual General Meeting in the sum of £221. Mrs E Siapera received £1,000 as director's fees for management services.

HAVERSTOCK HOMES PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MAY 1999

14 Post Balance Sheet Events

The company exchanged contracts and completed the sale of two properties on 6th August 1999. An offer was received on the third and fourth properties and contracts were sent out. The total sale price realised is £355,000 and the total price agreed for the third and fourth properties is £270,000 giving a total of £625,000 against a book value of £445,039.

| 15 Gross Cash Flows | 1999 £ | 1998 £ |
|--|------------------|---------------|
| Returns on Investments and Servicing of Finance | | |
| Interest received | 2,121 | 6,897 |
| Interest paid | (8,385) | (1,233) |
| Net cash outflow for returns on investments and servicing of finance | <u>(6,264)</u> | <u>5,664</u> |
| Capital Expenditure and Financial Investment | | |
| Payments to acquire tangible fixed assets | (377,514) | (182,422) |
| Proceeds from the sale of fixed assets | 90,380 | 277,067 |
| Net cash outflow from investing activities | <u>(287,134)</u> | <u>94,645</u> |
| Financing | | |
| Increase in other bank loans due within 1 year | 68,132 | - |
| Net cash inflow for financing | <u>68,132</u> | <u>-</u> |

16 Analysis of Changes in Net Debt

| | 1998 £ | Cash flow £ | 1999 £ |
|--------------------------|----------------|------------------|-----------------|
| Cash at bank and in hand | 211,294 | (208,135) | 3,159 |
| Overdrafts | - | (6,202) | (6,202) |
| | <u>211,294</u> | <u>(214,337)</u> | <u>(3,043)</u> |
| Debt due within 1 year | - | (68,132) | (68,132) |
| | <u>211,294</u> | <u>(282,469)</u> | <u>(71,175)</u> |

17 Reconciliation of Shareholders' Funds

| | 1999 £ | 1998 £ |
|-------------------------------------|----------------|----------------|
| Loss/Profit for the financial year | (82,507) | 20,780 |
| Other recognised gains and losses | 179,961 | 15,307 |
| Transfers to reserves | - | (15,307) |
| Increase in the shareholders' funds | <u>97,454</u> | <u>20,780</u> |
| Opening shareholders' funds | 417,271 | 396,491 |
| Closing shareholders' funds | <u>514,725</u> | <u>417,271</u> |