Company No: 3460392

DEVON CHALETS LIMITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 1998

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FOR THE PERIOD ENDED 31ST DECEMBER 1998

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DIRECTORS AND OFFICERS

DIRECTORS

W K Procter

SECRETARY

A Koukou

REGISTERED OFFICE

Euro House
131/133 Ballards Lane
London N3 1GR

DIRECTORS' REPORT

The directors submit their report and the financial statements for the period from 4th November 1997 to 31 December 1998.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period 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 financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and estimates that are reasonable and prudent; and
c. 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. The Directors 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.

Principal activities

The principal activity of the company during the period was that of property investment.

Incorporation

The company was incorporated on 4th November 1997 as Covebury Limited and changed its name to Devon Chalets Limited on 19th November 1997.

Review of the business

The Directors are satisfied with the financial position of the Company.

Dividends

The Directors do not recommend the payment of a dividend.

Investment property

The investment property held at 31st December 1998 was valued by the directors at £1,020,000. This resulted in a valuation surplus of £236,495.(see note 6)

Directors and their interests

The directors, their dates of appointment, and their interests, as defined by the Companies Act 1985, in the shares of the company at 31st December 1998 were as follows:

		Ordinary shares of 10p each
W.K. Procter	(appointed 13th November 1997)	6
R M Spiro	(appointed 13th November 1997, resigned 25th August 1999)	10
M S J Harden	(appointed 6th July 1998, resigned 2nd December 1999)	-

DIRECTORS' REPORT (continued)

Year 2000

A centrally managed and co-ordinated programme was undertaken to address the impact on the business of the Year 2000 and this was completed before the end of 1999. All computer systems, telecommunication and other technical systems were assessed. The incremental cost of this programme was not material.

Subsequent to this review, it appears that the Company's systems and processes are Year 2000 compliant, and the directors anticipate that this will continue to be the case.

Auditors

During the period, Messrs Baker Tilly, Chartered Accountants, were appointed by the directors as first auditors to the Company. Pursuant to an elective resolution the Company has elected not to re-appoint its auditors annually and Messrs Baker Tilly will continue in office in accordance with the provisions of section 386 of the Companies Act 1985.

By order of the Board,

W K Procter
Director
12/4/ 2000

AUDITORS' REPORT TO THE MEMBERS OF DEVON CHALETS LIMITED

We have audited the financial statements on pages 5 to 10, which have been prepared under the historical cost convention, as amended by the revaluation of investment properties, and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described in the directors report, the company's directors are responsible for the preparation of the 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, are consistently applied and are 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 31st December 1998 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY

Chartered Accountants
and Registered Auditors

The Clock House
140 London Road
Guildford
Surrey GU1 1UW

12 April 2000

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31ST DECEMBER 1998

	Note	1998 £
Turnover	1	**126,025**
Administrative expenses		**(53,557)**
Operating Profit		**72,468**
Interest payable	2	**(62,713)**
Profit on Ordinary Activities before taxation	3	**9,755**
Tax on profit on Ordinary Activities	5	**(3,074)**
Profit for the financial period	12	**£ 6,681**

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		£
Profit for the financial period		**6,681**
Unrealised surplus on valuation of properties	6,12	**236,495**
Total recognised gains and losses for the period		**£ 243,176**

BALANCE SHEET

AT 31ST DECEMBER 1998

	Note	£	1998 £
Fixed assets			
Tangible assets	6		**1,020,000**
Current assets			
Debtors	7	**180,422**	
Cash at bank & in hand		**200**	
		180,622	
Creditors: amounts falling due within one year	8	**(327,886)**	
Net current liabilities			**(147,264)**
Creditors: Amounts falling after one year	9		**(629,360)**
Net assets			**£ 243,376**
Capital and reserves			
Called up share capital	11		**200**
Revaluation reserve	12		**236,495**
Profit and loss account	12		**6,681**
Shareholders' funds	12		**£ 243,376**

Approved by the Board on 12/4/ 2000 and signed on its behalf by:

W K Procter
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 1998

1. **Accounting policies**

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

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

In preparing the accounts on the going concern basis the directors have highlighted the Company's deficiency of current assets. The related party, Rotch Property Group Limited, has agreed to provide financial support, as and when required, in order for the Company to meet its external obligations. On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19:

- investment properties are re-valued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; and
- no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the Company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets.

However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts 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, which might otherwise have been shown, cannot be separately identified or quantified.

Turnover

Turnover comprises rents receivable from investment properties.

Deferred taxation

Provision is made for deferred taxation in respect of liabilities that are anticipated to crystallise in the foreseeable future. No provision is made for any liability to tax that would arise in the event of a disposal of investment properties at their re-valued amounts. However, an estimate of this liability is given in note 10.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement by virtue of its size.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 1998

2. **Interest payable**

	1998 £
Bank loans	55,648
Loans from related parties	7,065
	£ 62,713

3. **Profit on ordinary activities before taxation**

	1998 £
This is stated after the following:	
Auditors' emoluments	3,000
Turnover includes:	
Rent receivable	125,579

4. **Employees and directors**

There were no employees during the period, other than the directors, who received no remuneration.

5. **Taxation**

	1998 £
United Kingdom corporation tax at 31%	£ 3,074

6. **Tangible fixed assets**

Investment properties	1998 £
Additions during the period – at cost	783,505
Revaluation reserve (note 12)	236,495
At 31st December 1998	£ 1,020,000

7. **Debtors**

	1998 £
Trade debtors	32,418
Amounts owed by related parties	145,004
Other debtors	3,000
	£ 180,422

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 1998

8. **Creditors: Amounts falling due within one year**

	1998 £
Bank loan	19,200
Amounts owed to related parties	249,872
Other taxes and social security	3,841
Corporation tax	3,074
Accruals and deferred income	51,899
	£ 327,886

Included within amounts owed to related parties is an unsecured loan of £83,565. Interest is charged at a variable rate currently at 8.5%. No repayment terms are specified.

9. **Creditors: Amounts falling due after more than one year**

	1998 £
Bank loan	629,360

The bank loan is secured on the Company's investment properties. It bears interest at fixed rates of 8.6%. The loan is repayable as follows:

Within one year	19,200
Within one to two years	21,000
Within two to five years	65,000
	105,200
After five years	543,360
	648,560
Less: included in current liabilities	(19,200)
	£ 629,360

10. **Provisions for liabilities and charges**

Deferred taxation

No provision for deferred taxation has been made in respect of the property held as an investment which is included in these financial statements at a valuation of £1,020,000. It is estimated that if this property were to be sold at that valuation the tax liability would amount approximately to £73,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST DECEMBER 1998

11. **Share capital**

	1998 £
Authorised:	
200 Ordinary Shares of £1each	£ 200
Allotted, issued and fully paid:	
200 Ordinary Shares of £1 each	£ 200

The shares were issued at par on incorporation.

12. **Reserves and reconciliation of movements in shareholders' funds**

	Revaluation reserve £	Share capital £	Profit and loss account £	Total shareholders' funds £
Share capital subscribed	-	200	-	200
Revaluation (note 6)	236,495	-	-	236,495
Profit for the financial year	-	-	6,681	6,681
Balance at 31st December 1998	**236,495**	**200**	**6,681**	**£ 243,376**

13. **Parent Company and controlling party**

The parent company is Pericom Limited, a company incorporated in the British Virgin Islands.

The ultimate controlling party is the Tchenguiz Family Trust.

14. **Contingent liabilities**

The Company is party to cross-guarantees to support similar loans made available to related parties as part of a larger facility. The total value of the loans subject to these cross-guarantees, including the loan to the company, amounted to £5,992,439 at the balance sheet date.

15. **Introduction of the Euro**

All relevant parts of the Company will be able to handle Euro transactions when required.

16. **Related party transactions**

The company provides funding to, and receives funding from, certain companies controlled by the Tchenguiz Family Trust. The sums are disclosed as amounts owed to/by and interest paid to related parties.