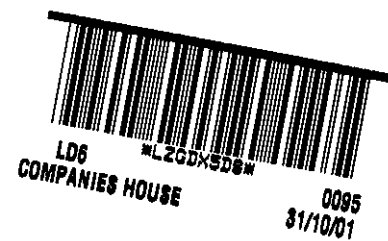


DEVON CHALETS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000



DEVON CHALETS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

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DIRECTOR AND OFFICERS

DIRECTOR

W K Procter

SECRETARY

M H P Ingham

REGISTERED OFFICE

Euro House
131/133 Ballards Lane
London N3 1GR

AUDITORS

Baker Tilly
Chartered Accountants
The Clock House
140 London Road
Guildford
Surrey
GU1 1UW

DIRECTOR'S REPORT

The director submits his report and the financial statements for the year ended 31 December 2000.

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 that year. 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 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.

Principal activity

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

Review of the business

The director is satisfied with the financial position of the company.

Dividends

The director does not recommend the payment of a dividend.

Investment properties

The investment properties held at 31 December 2000 were valued at £4,050,000 and this has given rise to an increase of £139,129 in the revaluation surplus for the year. Details of the investment properties are set out in note 7.

Directors and their interests

The directors who served during the year, together with their dates of appointment and resignation, were as follows:

W K Procter	
R S Carlowe	(resigned 14 March 2000)
N D Lawton	(resigned 17 March 2000)

W K Procter had an interest in 6 ordinary £1 shares as at 31 December 2000 (1999: 6 ordinary £1 shares).

DIRECTOR'S REPORT

Auditors

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

22nd October 2001

AUDITORS' REPORT TO THE MEMBERS OF DEVON CHALETS LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies as set out on page 7.

Respective responsibilities of directors and auditors

As described in the director's report, the company's director is 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.

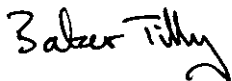
Basis of opinion

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 31 December 2000 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**BAKER TILLY**

Chartered Accountants
and Registered Auditors

The Clock House
140 London Road
Guildford
Surrey GU1 1UW

26th October 2001

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £	1999 £
Turnover	2	132,625	127,021
Administrative expenses		(35,895)	(38,795)
Operating profit		<u>96,730</u>	<u>88,226</u>
Interest payable	3	(66,800)	(60,999)
Profit on ordinary activities before taxation	4	<u>29,930</u>	<u>27,227</u>
Tax on profit on ordinary activities	6	(9,316)	(7,657)
Profit for the financial year	13	<u>£ 20,614</u>	<u>£ 19,570</u>

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year		20,614	19,570
Unrealised surplus on valuation of properties	7	139,129	2,885,711
Total recognised gains and losses for the year		<u>£ 159,743</u>	<u>£ 2,905,281</u>

BALANCE SHEET

AT 31 DECEMBER 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	7	4,061,788	3,919,240
Current assets			
Debtors	8	482,239	325,017
Cash at bank and in hand		200	200
		<u>482,439</u>	<u>325,217</u>
Creditors: amounts falling due within one year	9	(549,467)	(387,440)
Net current liabilities		<u>(67,028)</u>	<u>(62,223)</u>
Total assets less current liabilities		<u>3,994,760</u>	<u>3,857,017</u>
Creditors: amounts falling after one year	10	(686,360)	(708,360)
Net assets		<u>£ 3,308,400</u>	<u>£ 3,148,657</u>
Capital and reserves			
Called up share capital	12	200	200
Revaluation reserve	13	3,261,335	3,122,206
Profit and loss account	13	46,865	26,251
Shareholders' funds	13	<u>£ 3,308,400</u>	<u>£ 3,148,657</u>

Approved by the Board on *22nd October* 2001 and signed on its behalf by:


W K Procter
 Director

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2000**

1. Accounting policies

The following accounting policies have been used consistently 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 as modified by the revaluation of investment properties and in accordance with applicable accounting standards.

In preparing the accounts on the going concern basis the director has highlighted the company's deficiency of current assets. A 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 director considers 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.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets other than freehold land and investment properties at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Equipment	20% straight line
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Turnover

Turnover comprises rents receivable and administration fees from investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

1. Accounting policies

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 revalued amounts. However, an estimate of this liability is given in note 11.

Cash flow statement

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

2. Turnover

	2000 £	1999 £
Rent receivable	131,354	126,605
Other	1,271	416
	<u>£ 132,625</u>	<u>£ 127,021</u>

3. Interest payable

	2000 £	1999 £
Bank loans	66,036	60,626
Hire purchase interest	458	373
On late payment of corporation tax	306	-
	<u>£ 66,800</u>	<u>£ 60,999</u>

4. Profit on Ordinary Activities before taxation

	2000 £	1999 £
This is stated after charging:		
Depreciation and amounts written off		
tangible fixed assets:		
Charge for the year		
Leased assets	3,431	1,931
Auditors' emoluments	3,000	2,500
	<u>6,431</u>	<u>4,431</u>

5. Employees and directors

Other than the directors who received no remuneration, no persons were employed during the year (1999: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

6. Taxation	2000 £	1999 £
United Kingdom corporation tax at 30% (1999: 31%)	9,007	7,657
Under provision in previous years	309	-
	<u>£ 9,316</u>	<u>£ 7,657</u>

7. Tangible fixed assets

	Freehold investment properties	Equipment	Total
Cost/valuation			
At 1 January 2000	3,910,871	10,300	3,921,171
Additions	-	6,850	6,850
Revaluation surplus	139,129	-	139,129
At 31 December 2000	<u>4,050,000</u>	<u>17,150</u>	<u>4,067,150</u>
Depreciation			
At 1 January 2000	-	1,931	1,931
Charge in year	-	3,431	3,431
At 31 December 2000	<u>-</u>	<u>5,362</u>	<u>5,362</u>
Net book value			
At 31 December 2000	<u>4,050,000</u>	<u>11,788</u>	<u>£ 4,061,788</u>
At 31 December 1999	<u>3,910,871</u>	<u>8,369</u>	<u>£ 3,919,240</u>

The net book value of equipment includes £4,938 (1999: £8,369) in respect of assets held under finance leases.

The historical cost of the properties was £788,866 (1999: £788,866).

The investment properties were valued at £4,050,000 by William M Mercer Limited on an actuarial basis as at 14 January 2001. The director does not consider this valuation to be materially different from the value as at 31 December 2000.

8. Debtors	2000 £	1999 £
Trade debtors	35,112	46,478
Amounts owed by related parties	447,127	276,634
Other debtors	-	1,905
	<u>£ 482,239</u>	<u>£ 325,017</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

9. Creditors: amounts falling due within one year	2000 £	1999 £
Bank loan	22,000	21,000
Amounts owed to related parties	474,338	297,848
Other taxes and social security	5,166	5,133
Corporation tax	9,007	10,731
Other creditors	3,883	7,991
Accruals and deferred income	35,073	44,737
	<u>£ 549,467</u>	<u>£ 387,440</u>
10. Creditors: amounts falling due after more than one year	2000 £	1999 £
Bank loan	<u>£ 686,360</u>	<u>£ 708,360</u>

The bank loan is secured on the Company's investment properties. The loan is split into a Senior loan and a Mezzanine loan. It bears interest at a rate of 1.75% above LIBOR on the Senior loan and 5% above LIBOR on the Mezzanine loan. The loan is repayable as follows:

Within one year	22,000	21,000
Within one to two years	22,000	22,000
Within two to five years	67,000	67,000
	<u>111,000</u>	<u>110,000</u>
After five years	597,360	619,360
	<u>708,360</u>	<u>729,360</u>
Less: included in current liabilities	(22,000)	(21,000)
	<u>£ 686,360</u>	<u>£ 708,360</u>

11. 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 £4,050,000 (1999: 3,910,871). It is estimated that if this property were to be sold at that valuation the tax liability would amount approximately to £980,000 (1999: £935,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2000

12. Share Capital		2000 £	1999 £	
Authorised 200 Ordinary Shares of £1 each		£ 200	£ 200	
Allotted, issued and fully paid 200 Ordinary Shares of £1 each		£ 200	£ 200	
13. Reserves and reconciliation of movements in shareholders' funds				
	Revaluation reserve	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2000	3,122,206	200	26,251	3,148,657
Profit for the financial year	-	-	20,614	20,614
Revaluation surplus	139,129	-	-	139,129
Balance at 31 December 2000	3,261,335	200	46,865	£ 3,308,400

14. Parent and ultimate holding company

As at 31 December 2000 the parent and ultimate holding company was Pericom Limited, a company incorporated in the British Virgin Islands. On 1 February 2001, Fairhold Holdings Limited, a company registered in England and Wales, became the parent company and Moormead Limited, a company incorporated in the Bahamas, became the ultimate holding company.

16. Controlling party

The ultimate controlling party is the Tchenguiz Family Trust.

17. Contingent liabilities

The company is party to cross-guarantees in support of loans made available to the company and related parties under a single facility. The company's properties form part of the security on these loans. The total value of the loans subject to these cross-guarantees, including the loan to the company, amounted to £13,009,000 at the balance sheet date.

18. Introduction of the Euro

All relevant parts of the company will be able to handle Euro transactions when required. The Euro has had no impact on the company as at 31 December 2000.

19. Related party transactions

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