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OLAYAN EUROPE LIMITED
(FORMERLY COMPETROL LIMITED)
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

31ST DECEMBER 1985



OLAYAN EUROPE LIMITED
(FORMERLY COMPETROL LIMITED)
AND ITS SUBSIDIARIES

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OLAYAN EUROPE LIMITED
(FORMERLY COMPETROL LIMITED)

DIRECTORS AND OFFICERS

DIRECTORS: BERNARD MARRIOTT PALMER, LLB, FCA
MARK WILFRID HOME THOMSON

**GROUP ACCOUNTANT
AND COMPANY SECRETARY:** JAMES PATRICK HIGGINS, FCIS, FAAI, FBIM

AUDITORS: GRANT THORNTON
FAIRFAX HOUSE
FULWOOD PLACE
LONDON WC1V 6DW

BANKERS: MIDLAND BANK PLC
INTERNATIONAL DIVISION
110-114 CANNON STREET
LONDON EC4N 6AA

HONGKONG BANK LIMITED
WARDLEY HOUSE
7 DEVONSHIRE PLACE
LONDON EC2M 4HN

BARCLAYS BANK PLC
PALL MALL BRANCH
1 PALL MALL EAST
LONDON SW1Y 5AX

THE FIRST NATIONAL BANK OF CHICAGO
90 LONG ACRE
LONDON WC2E 9RB

NATIONAL WESTMINSTER BANK PLC
64 KNIGHTSBRIDGE
LONDON SW1X 7LG

SOLICITORS: NORTON ROSE BOTTERELL & ROCHE
KEMPSON HOUSE
CAMOMILE STREET
LONDON EC3A 7AN

REGISTERED OFFICE: 9 UPPER BELGRAVE STREET
LONDON SW1X 8BD

OLAYAN EUROPE LIMITED
(FORMERLY COMPETROL LIMITED)
REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31st December 1985.

1. Change of name

The name of the company was changed from Competrol Limited to Olayan Europe Limited on 26th November 1985.

2. Principal activities

The group is principally engaged in property development, investment and trading, in share investment and dealing and in the provision of services to overseas companies.

3. Review of year and future prospects

There was a loss for the year after taxation amounting to £1,941,936 (1984 £3,021,455) principally relating to unrealised exchange losses on foreign currency loans and failure to let development properties which have now been substantially let. In view of the deficit on reserves the directors cannot recommend payment of a dividend.

During the year the group acquired Pleece Holdings Limited and W. Pleece and Sons Limited as detailed in note 9 to the financial statements.

Subsequent to the year end the group acquired properties for £3,500,000 in cash to be held for resale. The directors anticipate substantial sales of this portfolio during 1986.

4. Post balance sheet event

At 31st December 1985 approximately £18,600,000 of the company's long-term loans were drawn in Swiss francs in order to take advantage of lower interest rates. These borrowings have been translated into sterling at Sw. fr. 2.98 to £1, the rate of exchange ruling at 31st December 1985. At the date of this report the rate is Sw. fr. 2.84 to £1; however, since the company has large unused facilities, it has no intention to repay these loans at current exchange rates.

OLAYAN EUROPE LIMITED
(FORMERLY COMPETROL LIMITED)
REPORT OF THE DIRECTORS (CONTINUED)

5. Directors

The directors in office at the end of the year are shown below. Both served on the Board throughout the year.

M.W.H. Thomson
B.M. Palmer, LLB, FCA

Mr. Thomson retires by rotation and being eligible offers himself for re-election.

The beneficial interests of the directors and their families in the shares of the company at 1st January 1985 and 31st December 1985 were as follows:

	<u>Ordinary shares of £1 each</u>
M.W.H. Thomson	10,000
B.M. Palmer	5,000

6. Directors' contracts

No director of the company has or has had during the year a significant interest in any contracts with the company or its subsidiaries.

7. Charitable donations

Donations to charitable organisations amounted to £510.

8. Auditors

Grant Thornton (formerly Thornton Baker) offer themselves for reappointment as auditors in accordance with section 384(1) of the Companies Act 1985.

9 Upper Belgrave Street
London SW1X 8BD

BY ORDER OF THE BOARD


J.P. HIGGINS

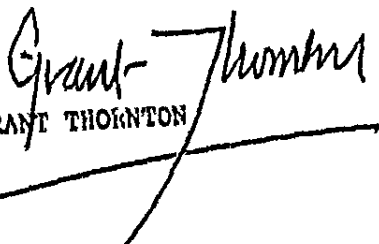
12th March 1986

Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
OLAYAN EUROPE LIMITED

We have audited the financial statements on pages 5 to 24 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of affairs of the company and the group at 31st December 1985 and of the results and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.


GRANT THORNTON
LONDON

12th March 1986

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31ST DECEMBER 1985

The financial statements have been prepared under the historical cost convention except that certain freehold and leasehold properties are shown at their revalued amounts (note 8). The principal accounting policies are set out below.

a) Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiaries referred to in note 9. The financial statements of each company in the group have been prepared to 31st December 1985.

b) Turnover

Turnover is the total amount receivable by the group in respect of investment income, goods supplied as principals and services provided in the ordinary course of business. Sales of properties are brought into account on exchange of contracts.

c) Investment income

Investment income comprises dividends declared, interest receivable and rents receivable from land.

d) Depreciation

Depreciation is calculated to write down the cost of tangible fixed assets, other than those held as investments, by equal annual instalments over their expected useful lives.

The periods generally applicable are:

Fixtures, fittings, plant and equipment	- 5 years
Motor vehicles	- 4 years

Depreciation on the leasehold premises is not significant and accordingly has not been reflected in these financial statements.

e) Interest payable

Interest attributable to loans on property trading and investment is written off to the profit and loss account in the year in which it is incurred. Interest attributable to property developments (see accounting policy h) is carried forward only while the property is in course of development and is then written off when the related developments are realised.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1985

f) Investment properties

In accordance with Statement of Standard Accounting Practice No. 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties. Leasehold investment properties are not amortised where the unexpired term is over 20 years. The directors consider that this policy is necessary to show a true and fair view.

g) Investments

Investments are included at the lower of cost and net realisable value.

h) Stocks: development properties

Property developments in progress are stated at cost plus attributable profits where these can be foreseen with reasonable certainty, less any foreseeable losses. Cost includes interest in financing the acquisition and development costs, provided that the directors consider it prudent having regard to the development potential of the property. Attributable profit is that part of the total profit currently estimated to arise over the duration of the development which fairly reflects the profit attributable to that part of the work performed by the balance sheet date. Foreseeable losses are those which are currently estimated to arise over the duration of the contract, irrespective of the amount of work carried out at the balance sheet date.

A property ceases to be treated as being in course of development when the building is substantially let, or twelve months after the date of practical completion, whichever is the earlier.

i) Stocks: properties held for resale

Trading properties are stated at the lower of cost and net realisable value. Cost means purchase price including legal and other professional costs. Net realisable value means estimated selling price less all further costs to completion and all costs to be incurred in marketing and selling.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

ACCOUNTING POLICIES (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1985

j) Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision for deferred taxation is made except to the extent that there is a reasonable probability of the tax not falling due for payment in the foreseeable future. Such tax not provided for is disclosed as a contingent liability.

Transfers to and from deferred taxation are calculated at the rate of corporation tax in force at the end of the period in which the transfers are made, adjusting for any changes in rate as compared with the preceding period.

k) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Profits and losses, realised and unrealised, on the conversion of assets and liabilities are included under the heading of interest receivable or interest payable and similar charges in the profit and loss account. The inclusion of unrealised exchange differences in the profit and loss account is a departure from the requirements of the Companies Act 1985 but is necessary in order to show a true and fair view.

l) Reverse premiums

Reverse premiums made on the granting of leases to tenants are amortised by equal annual instalments over the first five years of the lease.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
		£	£
Turnover	1	6,139,904	1,563,117
Cost of sales		(5,437,155)	(2,343,405)
Gross profit/(loss)	1	702,749	(780,288)
Management expenses		(479,299)	(430,270)
Other operating income		-	533
Operating profit/(loss)		223,450	(1,210,025)
Interest receivable		55,772	2,505
Interest payable and similar charges	4	(2,179,910)	(1,588,756)
		(2,124,138)	(1,586,251)
Loss on ordinary activities before tax	2	(1,900,688)	(2,796,276)
Tax on loss on ordinary activities	5	(41,248)	(225,179)
Loss for the financial year	16	£(1,941,936)	£(3,021,455)

The accounting policies and notes on pages 5 to 7 and 12 to 24 form part of these financial statements.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

GROUP BALANCE SHEET AT 31ST DECEMBER 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
		£	£
Fixed assets			
Intangible assets	7	341,250	~
Tangible assets	8	8,817,677	8,430,493
		<u>9,158,927</u>	<u>8,430,493</u>
Current assets			
Stocks	10	7,595,517	6,433,888
Debtors	11	264,301	329,210
Investments	12	1,255,578	87,847
Cash at bank and in hand		6,218,456	1,000
		<u>15,333,852</u>	<u>6,851,945</u>
Creditors: amounts falling due within one year	13	(776,378)	(5,812,412)
Net current assets		<u>14,557,474</u>	<u>1,039,533</u>
Total assets less current liabilities		<u>23,716,401</u>	<u>9,470,026</u>
Creditors: amounts falling due after more than one year	14	(18,620,885)	(8,746,716)
		<u>£5,095,516</u>	<u>£723,310</u>
Capital and reserves			
Called-up share capital	15	6,100,000	100,000
Share premium account	16	2,365,000	2,425,000
Revaluation reserve	16	1,187,247	813,105
Profit and loss account	16	(4,556,731)	(2,614,795)
		<u>£5,095,516</u>	<u>£723,310</u>

The financial statements were approved by the Board of Directors on 12th March 1986.


M.W.H. THOMSON

)
)
) DIRECTORS

B.M. PALMER


The accounting policies and notes on pages 5 to 7 and 12 to 24 form part of these financial statements.

OLAYAN EUROPE LIMITED
BALANCE SHEET AT 31ST DECEMBER 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
		£	£
Fixed assets			
Tangible assets	8	1,376,267	1,385,609
Investments	9	1,689,950	436,818
		<u>3,066,217</u>	<u>1,822,427</u>
Current assets			
Stocks	10	7,370,908	6,314,901
Debtors	11	7,358,577	6,737,800
Investments	12	1,255,578	87,847
Cash at bank and in hand		6,218,444	1,000
		<u>22,203,507</u>	<u>13,141,548</u>
Creditors: amounts falling due within one year	13	(1,782,003)	(6,105,826)
Net current assets		<u>20,421,504</u>	<u>7,035,722</u>
Total assets less current liabilities		<u>23,487,721</u>	<u>8,858,149</u>
Creditors: amounts falling due after more than one year	14	(19,332,885)	(8,696,716)
		<u>£4,154,836</u>	<u>£161,433</u>
Capital and reserves			
Called-up share capital	15	6,100,000	100,000
Share premium account	16	2,365,000	2,425,000
Revaluation reserve	16	700,577	700,577
Profit and loss account	16	(5,010,741)	(3,064,144)
		<u>£4,154,836</u>	<u>£161,433</u>

The financial statements were approved by the Board of Directors on 12th March 1986.

W. Thomson
M.W.H. THOMSON

)
) DIRECTORS
)

B.M. PALMER

B. Palmer
The accounting policies and notes on pages 5 to 7 and 12 to 24 form part of these financial statements.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1985

	£	1985	£	£	1984	£
Source/(outflow) of funds						
From operations						
Loss on ordinary activities before tax				(1,900,688)		(2,796,276)
Adjustments for items not involving the movement of funds:						
Depreciation		19,618			18,100	
Profit on sale of fixed assets		(4,602)			(366)	
Unrealised loss on foreign currency		1,757,637			443,745	
Amortisation of reverse premiums		33,750			-	
		(94,285)			(2,334,797)	
From other sources						
Issue of shares		6,000,000			2,500,000	
Sale of fixed assets		5,350			366	
Loans		16,863,248			5,214,300	
		22,774,313			5,379,869	
Application of funds						
Repayment of loan notes by conversion to share capital		-		(2,500,000)		
Taxation paid	(165,842)			(2,824)		
Reverse premiums	(375,000)			-		
Additions to fixed assets	(7,550)			(71,981)		
Additions to investment properties	(25,858)			(169,565)		
Expenses of share issue	(60,000)			(25,000)		
Repayment of loans	(13,571,995)			(3,773,701)		
Transfer of stock to investment properties	-			(5,540,944)		
		(14,206,245)			(12,084,015)	
Net inflow/(outflow) of funds		£8,568,068			£(6,704,146)	

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1985

	<u>1985</u> £	<u>1984</u> £
Increases/(decreases) in working capital		
Transfer to investment properties	-	(5,540,944)
Stocks	1,161,629	(1,156,077)
Debtors	(64,909)	165,089
Creditors	(31,191)	(184,836)
Investments	1,167,731	70,987
	<u>2,233,260</u>	<u>(6,645,781)</u>
Net liquid funds		
Bank overdrafts	117,352	(58,765)
Cash	6,217,456	400
	<u>£8,568,068</u>	<u>£(6,704,146)</u>

Analysis of acquisition of subsidiaries:

Assets acquired	£	Discharged by:	£
Investment properties	813,430	Cash paid	1,253,132
Debtors	37,678		
Cash	444,645		
Creditors	(42,621)		
	<u>£1,253,132</u>		<u>£1,253,132</u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1985

1. Analysis of turnover and gross profit/(loss)

The analysis of turnover over the principal activities of the group and their respective contributions to the gross profit/(loss) are as follows:

<u>Principal activity</u>	<u>1985</u>		<u>1984</u>	
	<u>Gross</u> <u>Turnover</u> <u>£</u>	<u>Profit</u> <u>£</u>	<u>Gross</u> <u>Turnover</u> <u>£</u>	<u>Profit/</u> <u>(loss)</u> <u>£</u>
Property development, trading and rental income	1,351,755	577,829	1,007,921	(953,850)
Share dealing and dividend income	4,753,150	120,318	500,778	159,207
Services	34,999	4,602	54,418	14,355
	<u>£6,139,904</u>	<u>£702,749</u>	<u>£1,563,117</u>	<u>£(780,288)</u>

In the opinion of the directors it is not practicable to apportion administrative overheads to the various categories of business activity.

An analysis of turnover by geographical market is given below.

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
United Kingdom	6,109,507	1,523,262
Europe and the Middle East	30,397	39,855
	<u>£6,139,904</u>	<u>£1,563,117</u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

2. The loss on ordinary activities is stated after:

	<u>1985</u> £	<u>1984</u> £
Crediting:		
Rents from fixed asset investments in property less outgoings	256,168	147,297
Rents from other properties less outgoings	85,079	(67,853)
Income from listed current asset investments	21,541	167
	<u> </u>	<u> </u>
Charging:		
Auditors' remuneration	12,000	9,000
Depreciation	19,618	18,100
Write-down of stock	-	1,263,928
Write-down of investments	74,602	5,333
	<u> </u>	<u> </u>

3. Directors and employees

Staff costs during the year	<u>1985</u> £	<u>1984</u> £
Wages and salaries	144,888	121,092
Social security	12,544	11,859
Pension costs	26,047	25,461
	<u> </u>	<u> </u>
	£183,479	£158,412
	<u> </u>	<u> </u>

The average number of employees of the group during the year was 13 (1984 11).

Staff costs include remuneration in respect of directors as follows:

	<u>1985</u>	<u>1984</u>
Management remuneration	£63,895	£56,019
	<u> </u>	<u> </u>

The emoluments of the directors, excluding pension contributions, were as follows:

	<u>1985</u> £	<u>1984</u> £
M.W.H. Thomson	22,157	15,718
B.M. Palmer	22,262	17,189
	<u> </u>	<u> </u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

4. Interest payable and similar charges

	<u>1985</u> £	<u>1984</u> £
On bank loans, overdrafts and other loans		
- repayable within 5 years otherwise than by instalments	258,604	373,993
- repayable within 5 years by instalments	1,044,874	642,643
- repayable wholly or partly over more than 5 years	-	128,375
	<u>1,303,478</u>	<u>1,145,011</u>
Loss on foreign exchange	876,432	443,745
	<u>£2,179,910</u>	<u>£1,588,756</u>

5. Taxation

Profit and loss account

The taxation charge based on the results for the year is made up as follows:

	<u>1985</u> £	<u>1984</u> £
Overseas tax	-	11,149
Underprovision for prior years		
UK corporation tax	41,248	214,030
	<u>£41,248</u>	<u>£225,179</u>

No United Kingdom taxation charge arises in the group in respect of the current year's results.

Balance sheets

The amounts included for taxation in creditors represent:

	<u>1985</u> £	<u>The group</u> <u>1984</u> £	<u>1985</u> £	<u>The company</u> <u>1984</u> £
Corporation tax payable	5,583	123,897	-	123,897
Overseas tax payable	54,517	60,797	-	-
	<u>£60,100</u>	<u>£184,694</u>	<u>£ -</u>	<u>£123,897</u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

5. Taxation (continued)

Tax losses

The company and certain subsidiaries have unrelieved tax losses of approximately £5,200,000 (1984 £4,100,000) which are available to be set against future trading profits of the company and those subsidiaries.

Close company legislation

Each company in the group is a close company as defined by section 282 of the Income and Corporation Taxes Act 1970.

The directors are of the opinion that the income of none of the companies in the group falls to be apportioned under the provisions of Schedule 16 to the Finance Act 1972.

6. Profit and loss account

The company has taken advantage of section 228(7) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group loss for the year includes a loss of £1,946,597 (1984 £2,902,386) which is dealt with in the financial statements of the parent company.

7. Intangible fixed assets

	<u>Reverse premiums</u> £
Additions during the year	375,000
At 31st December 1985	<u>375,000</u>
Released to cost of sales during the year	(33,750)
At 31st December 1985	<u>(33,750)</u>
Net book amount at 31st December 1985	<u>£341,250</u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

8. Tangible fixed assets

The group	Total £	Land and buildings Investment properties £	Long leasehold £	Fixtures fittings, plant and equipment £	Motor vehicles £
Cost or valuation					
At 1st January 1985	8,599,545	7,104,946	1,250,000	151,973	92,626
Surplus on revaluation	374,142	374,142	-	-	-
Additions at cost	33,408	25,858	-	5,233	2,317
Disposals at cost	(28,403)	-	-	(761)	(27,642)
At 31st December 1985	8,978,692	7,504,946	1,250,000	156,445	67,301
Depreciation					
At 1st January 1985	169,052	-	-	112,259	56,793
Provided in the year	19,618	-	-	9,618	10,000
Provided on disposals	(27,655)	-	-	(761)	(26,894)
At 31st December 1985	161,015	-	-	121,116	39,899
Net book amount at 31st December 1985	£8,817,677	£7,504,946	£1,250,000	£35,329	£27,402
Net book amount at 31st December 1984	£8,430,493	£7,104,946	£1,250,000	£39,714	£35,833
The company	£	£	£	£	£
Cost or valuation					
At 1st January 1985	1,526,827	77,437	1,250,000	106,764	92,626
Additions at cost	7,550	-	-	5,233	2,317
Disposals at cost	(27,642)	-	-	-	(27,642)
At 31st December 1985	1,506,735	77,437	1,250,000	111,997	67,301
Depreciation					
At 1st January 1985	141,218	-	-	84,425	56,793
Provided in the year	16,144	-	-	6,144	10,000
Provided on disposals	(26,894)	-	-	-	(26,894)
At 31st December 1985	130,468	-	-	90,569	39,899
Net book amount at 31st December 1985	£1,376,267	£77,437	£1,250,000	£21,428	£27,402
Net book amount at 31st December 1984	£1,385,609	£77,437	£1,250,000	£22,339	£35,833

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1985

8. Tangible fixed assets (continued)

The group and the company

The assets listed are stated at cost with the exception of land and buildings, which include valuations as follows:

	<u>The group</u>			
	<u>Freehold</u>		<u>Long leasehold</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Investment properties				
At cost and valuation	610,509	6,310,509	77,437	77,437
At 1985 (1984) valuation	6,100,000	-	717,000	717,000
Other land and buildings				
At 1985 (1984) valuation	-	-	1,250,000	1,250,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	<u>The company</u>			
	<u>Freehold</u>		<u>Long leasehold</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Investment properties				
At cost and valuation	-	-	77,437	77,437
Other land and buildings				
At 1985 (1984) valuation	-	-	1,250,000	1,250,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

If the above assets had not been revalued, they would have been included in the financial statements at the following amounts.

	<u>The group</u>			
	<u>Freehold</u>		<u>Long leasehold</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Investment properties	5,940,392	5,940,392	753,337	753,837
Other land and buildings	-	-	549,423	549,423
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	<u>The company</u>			
	<u>Freehold</u>		<u>Long leasehold</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Investment properties	-	-	77,437	77,437
Other land and buildings	-	-	549,423	549,423
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The revaluations were carried out by the directors at 31st December 1985 on the basis of open market value assuming existing use.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

9. Fixed asset investments

The company

	Shares in group companies £
Cost and net book amount at 1st January 1985	436,818
Additions at cost	1,253,132
Cost and net book amount at 31st December 1985	<u>£1,689,950</u>

On 12th April 1985 the company acquired the entire share capital of Pleace Holdings Limited and W. Pleace and Sons Limited for a purchase consideration of £1,253,132. Following the acquisition the investment properties held by these companies were transferred to Olayan Europe Limited in exchange for 12% secured loan notes 1990 (see note 14).

The principal trading subsidiaries at 31st December 1985 are set out below. All are wholly owned directly by Olayan Europe Limited and, except where indicated, are registered in England.

	<u>Nature of business</u>	<u>Class of shares</u>	<u>Amount issued</u> £
Upperbel Investments Limited	Investment company	Ordinary	2
Upperbel Investments (Andover) Limited	Investment company	Ordinary	2
Abgardens Properties Limited	Property trading and share dealing	Ordinary	100
Upperbel Services Limited	Management and telecommunications services	Ordinary	2
The Manchester Stock Exchange Buildings Limited	Investment company	Deferred Ordinary	100,000 10,000
Sydney Court Holdings (Jersey) Limited (incorporated in Jersey) ("SCHJL")	Investment company	Ordinary	5,000
Pleace Holdings Limited	Investment company	Ordinary	22,033
W. Pleace and Sons Limited	Investment company	Ordinary	1,100

Up to 19th June 1985 SCHJL owned shares in Sydney Court (Jersey) Limited ("SCJL"), a property holding company incorporated in Jersey, solely as a method by which SCHJL may dispose of the group's Jersey trading property owned by SCJL. As this property was disposed of, by way of sales of shares, the group's interest in SCJL diminished and ultimately became nil. The directors considered it more meaningful to account for the outside interest so arising as a reduction in value of the group's properties held for resale.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

10. Stocks

	<u>The group</u>		<u>The company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Development properties				
Building costs	4,853,127	4,835,387	4,853,127	4,835,387
Interest capitalised	863,778	863,778	863,778	863,778
	<u>5,716,905</u>	<u>5,699,165</u>	<u>5,716,905</u>	<u>5,699,165</u>
Properties held for resale	1,878,612	734,723	1,654,003	615,736
	<u>£7,595,517</u>	<u>£6,433,888</u>	<u>£7,370,908</u>	<u>£6,314,901</u>

11. Debtors

	<u>The group</u>		<u>The company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year				
Trade debtors	234,752	228,357	190,885	198,063
Amounts owed by:				
Subsidiaries	-	-	7,149,697	6,519,524
Holding company and fellow subsidiaries	-	5,636	-	-
Other debtors	28,886	18,444	17,444	18,442
Prepayments and accrued income	663	1,773	551	1,771
	<u>264,301</u>	<u>254,210</u>	<u>7,358,577</u>	<u>6,737,800</u>
Amounts falling due after more than one year				
Other debtors	-	75,000	-	-
	<u>£264,301</u>	<u>£329,210</u>	<u>£7,358,577</u>	<u>£6,737,800</u>

12. Current asset investments

Investments listed on a recognised stock exchange

	<u>The group and the company</u>	
	<u>1985</u>	<u>1984</u>
- at the lower of cost and net realisable value	<u>£1,255,578</u>	<u>£87,847</u>
- at market value	<u>£1,264,923</u>	<u>£90,810</u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

13. Creditors: amounts falling due within one year

	<u>The group</u>		<u>The company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Instalments due on bank loans	275,000	5,100,279	275,000	5,100,279
Bank overdrafts	17,199	134,551	17,199	134,551
Trade creditors	140,405	251,993	67,727	82,987
Amounts owed to:				
Subsidiaries	-	-	1,016,091	488,675
Holding company and fellow subsidiaries	28,000	17,175	-	-
Current taxation (note 5)	60,100	184,694	-	123,897
Social security and other taxes	13,930	5,845	4,186	5,845
Other creditors	123,572	34,352	118,980	34,125
Accruals and deferred income	118,172	83,523	282,820	135,467
	<u>£776,378</u>	<u>£5,812,412</u>	<u>£1,782,003</u>	<u>£6,105,826</u>

During the year Olayan Europe Limited renegotiated all its bank loan facilities and is currently authorised to make drawings under a revolving credit agreement granted to and guaranteed by its immediate holding company Olayan Investment Company Establishment. This revolving credit agreement has a maturity date of October 7th 1991, and the rates of interest together with details of security extended are shown in note 14. All significant loans outstanding at 31st December 1984 were repaid during the year.

The bank overdrafts are secured by a fixed charge over the assets of Olayan Europe group companies and cross-guarantees given by those companies.

14. Creditors: amounts falling due after more than one year

	<u>The group</u>		<u>The company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Bank loans	18,620,885	8,746,716	18,570,885	8,696,716
Secured loan notes	-	-	762,000	-
	<u>£18,620,885</u>	<u>£8,746,716</u>	<u>£19,332,885</u>	<u>£8,696,716</u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 1985

14. Creditors: amounts falling due after more than one year (continued)

	<u>The group</u>		<u>The company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Repayable within 5 years by instalments				
At rates varying between 10% and 11.375% until date of repayment	-	5,620,153	-	5,620,153
Repayable within 5 years otherwise than by instalments				
At 9.75% until date of payment	-	3,076,563	-	3,076,563
5,635,000 Swiss francs at 1 3/4% over LIBOR	1,892,564	-	1,892,564	-
49,659,702 Swiss francs at 3/4% over LIBOR	16,678,321	-	16,678,321	-
12% secured loan notes extended to group company	-	-	762,000	-
At 6 3/4% per annum repayable on demand after 31.1.1990	50,000	-	-	-
Repayable over more than 5 years otherwise than by instalments	-	50,000	-	-
	<u>£18,620,885</u>	<u>£8,746,716</u>	<u>£19,332,885</u>	<u>£8,696,716</u>

Details of movements in exchange rates relating to the borrowings in Swiss francs are given in the Directors' Report.

Security for the above is as follows:

	£	£	£	£
By charge on stocks	-	-	762,000	-
By charge on fixed assets	1,942,564	50,000	1,892,564	-
By guarantee	16,678,321	8,696,716	16,678,321	8,696,716
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

15. Called-up share capital

	<u>1985</u> £	<u>1984</u> £
Authorised, allotted, called-up and fully paid		
6,000,000 10% net cumulative redeemable preference shares	6,000,000	-
100,000 ordinary shares at £1 each	100,000	100,000
	<u>£6,100,000</u>	<u>£100,000</u>

On December 20th 1985 the company issued £6,000,000 10% cumulative redeemable preference shares to its holding company at par for cash in order to increase the capital base of the company. Stamp duty arising on this issue has been charged against the share premium account. The holders of the cumulative redeemable preference shares are entitled to be paid dividends out of profits available for distribution, with the first payment due on 30th April 1986. The company has no profits presently available for distribution and at 31st December 1985 there was an accrued liability not provided for in the financial statements amounting to £16,500.

16. Reserves

	<u>Share premium account</u> £	<u>Revaluation reserve</u> £	<u>Profit and loss account</u> £
The group			
At 1st January 1985	2,425,000	813,105	(2,614,795)
Loss for the year	-	-	(1,941,936)
Issue expenses (note 15)	(60,000)	-	-
Surplus on revaluation	-	374,142	-
At 31st December 1985	<u>£2,365,000</u>	<u>£1,187,247</u>	<u>£(4,556,731)</u>
The company			
At 1st January 1985	2,425,000	700,577	(3,064,144)
Loss for the year	-	-	(1,946,597)
Issue expenses (note 15)	(60,000)	-	-
At 31st December 1985	<u>£2,365,000</u>	<u>£700,577</u>	<u>£(5,010,741)</u>

The revaluation reserve includes £486,670 (1984 £112,528) in respect of surpluses on the annual revaluation of investment properties.

No provision has been made for the taxation that would accrue if the investment properties or the land and buildings were disposed of at their revalued amounts. The potential liability is disclosed in note 18.

OLAYAN EUROPE LIMITED AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1985

17. Capital commitments

	<u>The group and the company</u>	
	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Contracted for but not provided in these financial statements	240,000	-
Authorised by the directors but not contracted for	-	60,000
	<u>£240,000</u>	<u>£60,000</u>

18. Contingent liabilities

The group and the company

There is a contingent liability to deferred taxation mainly for unrealised capital gains amounting to approximately £470,000 (1984 £360,000) for the group and £210,000 (1984 £210,000) for the company.

The company

The company has given undertakings to continue to support certain subsidiaries.

19. Ultimate holding company

The directors consider that the holding company and ultimate holding company of this company is Olayan Investment Company Establishment, which is incorporated in Liechtenstein.