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CHARLTON CORPORATION PLC

FINANCIAL STATEMENTS

31 DECEMBER 1998

MORISON STONEHAM

Chartered Accountants
Salisbury House
31 Finsbury Circus
London EC2M 5SQ

Company Number: 329512



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CHARLTON CORPORATION PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 - continued****12. NOTES TO THE STATEMENT OF CASH FLOWS****(a) Analysis of net funds**

	At 1 January 1998 £	Cash flow £	Non cash movements £	At 31 December 1998 £
Cash at bank	50,000	136,695	-	186,695
Net Funds	50,000	136,695	-	186,695

(b) Reconciliation of net cash flow to movement in net funds

	1998 £	1997 £
Increase in cash	136,695	50,000
Movement in net debt	136,695	50,000
Net debt at 1 January 1998	50,000	-
Net debt at 31 December 1998	186,695	50,000

13. ULTIMATE HOLDING COMPANY

The ultimate holding company is Eastcastle Finance Inc, a company incorporated in the Republic of Panama.

14. RELATED PARTY TRANSACTIONS

The directors are of the opinion that all such transactions have been disclosed in these financial statements.

15. CONTINGENCIES

The company is pursuing legal action against a supplier for misrepresentation and breach of contract. At present this is the sole activity of the company. The Board have assessed the viability of the litigation and believe the outcome will be successful. However the company is currently awaiting a decision by the Arbitrator as to the amount to be awarded by way of security of costs. No provision has been made for any such award.

CHARLTON CORPORATION PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 - continued**

8. SHARE CAPITAL	1998	1997
	£	£
Authorised		
Equity interests:		
Ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity interests:		
Ordinary shares of £1 each	150,000	50,000
	<hr/>	<hr/>
9. PROFIT AND LOSS ACCOUNT	1998	1997
	£	£
At 1 January 1998	-	-
Loss for the financial year	(255,703)	-
	<hr/>	<hr/>
At 31 December 1998	(255,703)	-
	<hr/>	<hr/>
10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1998	1997
	£	£
Loss for the year	(255,703)	-
Share capital subscribed	100,000	50,000
	<hr/>	<hr/>
Net additions to shareholders' funds	(155,703)	50,000
Shareholders' funds at 1 January 1998	50,000	-
	<hr/>	<hr/>
Shareholders' funds at 31 December 1998	(105,703)	50,000
	<hr/>	<hr/>
All funds relate to equity interests.		
11. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES	1998	1997
	£	£
Operating Loss	(269,258)	-
Depreciation	905	-
Increase in creditors	293,303	-
	<hr/>	<hr/>
Net cash inflow from operating activities	24,950	-
	<hr/>	<hr/>

CHARLTON CORPORATION PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 - continued****4. DIRECTORS**

An amount of £48,404 was paid to Bower Cotton, a firm in which Paul Simms is a Partner for legal services.

An amount of £46,857 was paid to Selim Rahman Association, a business controlled by Selim Rahman, for his services as a director.

5. TAXATION

	1998	1997
	£	£
Corporation tax at 31%	-	-
	<u> </u>	<u> </u>

6. TANGIBLE ASSETS

	Computer Equipment £000
Cost	
At 1 January 1998	-
Additions	1,810
	<u> </u>
At 31 March 1998	1,810
	<u> </u>
Depreciation	
At 1 January 1998	-
Charge for the year	905
	<u> </u>
At 31 December 1998	905
	<u> </u>
Net book value	
At 31 December 1998	905
	<u> </u>
At 31 December 1997	-
	<u> </u>

**7. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	1998	1997
	£	£
Amounts owed to parent company	269,128	-
Accruals	24,175	-
	<u> </u>	<u> </u>
	293,303	-
	<u> </u>	<u> </u>

CHARLTON CORPORATION PLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998****1. ACCOUNTING POLICIES****1.1 Basis of accounting and going concern**

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

The financial statements have been prepared on the basis that the company is a going concern. The directors have been advised that the loan from the parent company has a notice period of 12 months and no notice for repayment has been received. The directors have also received confirmation from the parent company that subject to appropriate advice being received from the company's legal advisers regarding the prospects of success of the litigation they will continue to support the company in respect of the costs of the litigation.

1.2 Turnover

Turnover represents the total invoice value, excluding value added tax, of services rendered during the period.

1.3 Depreciation

Depreciation is provided using the rates to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

Computer Equipment	50% Straight line
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1.4 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All exchange differences are taken to the profit and loss account.

1.5 Deferred taxation

Deferred taxation has been fully provided to the extent that the directors believe a liability will crystallise in the future.

2. TURNOVER

The company did not generate any turnover during the year.

3. OPERATING PROFIT

	1998	1997
	£	£
The operating profit is stated after charging:-		
Depreciation	905	-
Auditors' remuneration – audit services	3,000	-
Auditors' remuneration – non audit services	7,000	-
	<u> </u>	<u> </u>

CHARLTON CORPORATION PLC**CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998	1997
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	11	24,950	-
Returns on investments and servicing of finance:			
Interest received		13,555	-
Taxation:			
Corporation tax paid		-	-
Capital expenditure and financial investment:			
Payment to acquire tangible fixed assets		(1,810)	-
NET CASH FLOW BEFORE FINANCING		36,695	-
Financing:			
Issue of share capital		100,000	50,000
Increase in cash		136,695	50,000

CHARLTON CORPORATION PLC**BALANCE SHEET
AT 31 DECEMBER 1998**

	Notes	1998	1997
		£	£
FIXED ASSETS			
Tangible assets	6	905	-
CURRENT ASSETS			
Cash at bank and in hand		186,695	50,000
		<u>186,695</u>	<u>50,000</u>
CREDITORS: Amounts falling due within one year	7	(293,303)	-
NET CURRENT (LIABILITIES)/ASSETS		<u>(106,608)</u>	<u>50,000</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(105,703)</u>	<u>50,000</u>
CAPITAL AND RESERVES			
Called up share capital	8	150,000	50,000
Profit and loss account	9	(255,703)	-
SHAREHOLDERS FUNDS	10	<u>(105,703)</u>	<u>50,000</u>

The financial statements were approved by the board on 24 December 1999 and signed on its behalf by

Paul Simms

Director



The notes on pages 7 to 10 form part of these financial statements.

CHARLTON CORPORATION PLC**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £	1997 £
TURNOVER	2	-	-
Administrative expenses		269,258	-
OPERATING LOSS	3	(269,258)	-
Interest receivable and similar income		13,555	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(255,703)	-
Tax on profit on ordinary activities	5	-	-
RETAINED LOSS FOR THE YEAR	9	<u>(255,703)</u>	<u>-</u>

The group has no recognised gains or losses other than those dealt with in the profit and loss account.

All amounts relate to continuing activities.

The notes on pages 7 to 10 form part of these financial statements.

CHARLTON CORPORATION PLC**AUDITORS' REPORT****AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHARLTON CORPORATION PLC**

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of 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, except that the scope of our work was limited as explained below.

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, consistently applied and adequately disclosed.

We planned 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. However, the evidence available to us was limited because certain of the company's accounting records are overseas and have been mislaid. In consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the completeness and accuracy of the company's accounting records.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 or of its loss for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect of the limitation on our work:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether proper accounting records had been maintained.

Salisbury House
31 Finsbury Circus
London EC2M 5SQ
24 December 1999

Morison Stoneham
MORISON STONEHAM
Registered Auditors
Chartered Accountants

CHARLTON CORPORATION PLC**DIRECTORS' REPORT****FOR THE YEAR ENDED 31 DECEMBER 1998 - continued****PAYMENT OF CREDITORS**

It is the policy of the company to agree its terms of payment with all suppliers when acquiring goods or services. The company then endeavours to meet such terms should it be satisfied with the level of service received.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

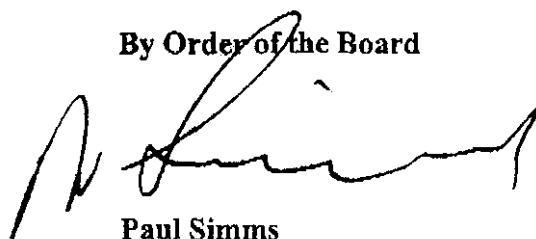
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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. 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

Morison Stoneham are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

By Order of the Board

Paul Simms
24 December 1999

CHARLTON CORPORATION PLC**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 1998**

The directors present their report and the audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated as Bowcot Plc on 16 December 1996. On 1 May 1997 the company changed its name to Oakland Corporation Plc. On 7 July 1997 the company changed its name to Charlton Corporation Plc. The company became entitled to commence business on 8 September 1997, but remained dormant until 31 December 1997.

The main business of the company was the development of manufacturing facilities for hospital furniture in Bangladesh. In September 1998 the supplier of the production line and associated drawings and know how for the production of hospital beds gave notice that it was not prepared to honour its obligations. Since that time the company has been vigorously pursuing legal action for misrepresentation and breach of contract against the supplier.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 1998 are set out on page 4. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the period were as follows:

Selim H Rahman (appointed 1 August 1997)

Paul F Simms (appointed 16 December 1996)

Peter A Smith (appointed 1 April 1998)

Patrick A Fitzsimmons (appointed 1 January 1998)

Tracey Wood was appointed a director on 16 December 1996 and resigned on 1 August 1997.

As disclosed in the register of directors interests none of the directors have any beneficial interest in the shares of the company.

FIXED ASSETS

Movements in fixed assets are set out in note 6 to the accounts.

YEAR 2000

The operation of our business depends not only on our own computer systems but also to some degree on those of our suppliers and customers. The company has assessed the risks to our business resulting from the date change to the Year 2000 and determined the impact of the issue on all our activities.

Given the complexity of the problem it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However the Board believe that the company has achieved an acceptable state of readiness.

CHARLTON CORPORATION PLC

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FOR THE YEAR ENDED 31 DECEMBER 1998**

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CHARLTON CORPORATION PLC

DIRECTORS

Selim H Rahman (Managing Director)
Peter A Smith
Paul F Simms
Patrick A Fitzsimmons

SECRETARY

BC Secretaries Limited

REGISTERED OFFICE

36 Whitefriars Street
London
EC4Y 8BH

AUDITORS

Morison Stoneham
Chartered Accountants
Salisbury House
31 Finsbury Circus
London EC2M 5SQ

SOLICITORS

Bower Cotton
36 Whitefriars Street
London
EC4Y 3BH