

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

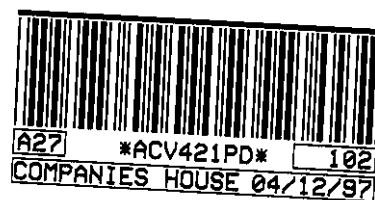
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1997

Registered number: 27970 England

SILK & CO

CHARTERED ACCOUNTANTS



SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1997

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The following page does not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

COMPANY INFORMATION

FOR THE YEAR ENDED 30TH JUNE 1997

DIRECTORS	H M Withers FCA FTII Mrs J G P Penn
SECRETARY	H M Withers FCA FTII
COMPANY NUMBER	27970 England
REGISTERED OFFICE	35 Cambridge Road Hastings East Sussex TN34 1DW
AUDITORS	Silk & Co Registered Auditors Chartered Accountants 23 Havelock Road Hastings East Sussex TN34 1BP

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 1997

The directors present their report and the audited financial statements for the year ended 30th June 1997.

Principal activity

The principal activity of the company continues to be that of management of its freehold commercial property at Portslade, East Sussex.

The results for the year are set out on page 5.

The directors consider the profit achieved on ordinary activities before taxation to be satisfactory.

Business review

The company's balance sheet as detailed on page 7 shows a satisfactory position, with shareholders' funds amounting to £593,891.

Following an agreement last year with Lloyds Bank Plc to extend the repayment period on the bank loan, it was agreed that the unpaid loan stock interest at the time, be carried forward until the bank loan is repaid. On the basis of current base earnings, the directors are confident that all capital commitments will be met by the stated dates.

Results and dividends

The total distribution of dividends for the year to 30th June 1997 is £3,469 (as set out in note 7 to the financial statements).

The directors do not recommend a final dividend and the retained profit of £15,200 will be deducted from the deficit at the beginning of the year.

Fixed assets

Details of movements in fixed assets are set out in note 8 to the financial statements.

The company's interest in freehold property has been valued at £973,943 by the company's insurers on the basis of their previous year's valuation index linked to current year values, and the directors have accepted this valuation.

continued

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

DIRECTORS' REPORT
(continued)

FOR THE YEAR ENDED 30TH JUNE 1997

Directors

The directors at 30th June 1997 and their interests in the share capital of the company were as follows:

	At 30th June 1996 and 1997		
	<u>Preference Shares</u>	<u>Preferred Ordinary Shares</u>	<u>Deferred Ordinary Shares</u>
H M Withers FCA FTII	-	-	1
H M Withers FCA FTII as Settlement Trustee	-	-	1,000
Mrs J G P Penn	61	40	749

The major shareholders at 30th June 1997 were:

	<u>Preference Shares</u>	<u>Preferred Ordinary Shares</u>	<u>Deferred Ordinary Shares</u>
Mrs J G P Penn	61	40	749
The Silver Lady Fund (England and Wales)	387	692	9
The Elizabeth Baxter Hostel (England and Wales)	495	828	2,665

Auditors

On 30th April 1997, A F R Compagnone & Co resigned as auditors and subsequently Silk & Co were appointed auditors in their stead.

The auditors, Silk & Co, have expressed their willingness to continue to act and a resolution for their re-appointment will be submitted to the Annual General Meeting.

Signed on behalf of the board of directors



H M Withers
Secretary

Approved by the board: 28th November 1997

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD
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 period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and 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.

Signed on behalf of the board of directors



H M Withers
Director

Approved by the board: 28th November 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF
SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention as modified by the revaluation of the fixed assets and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3, 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.

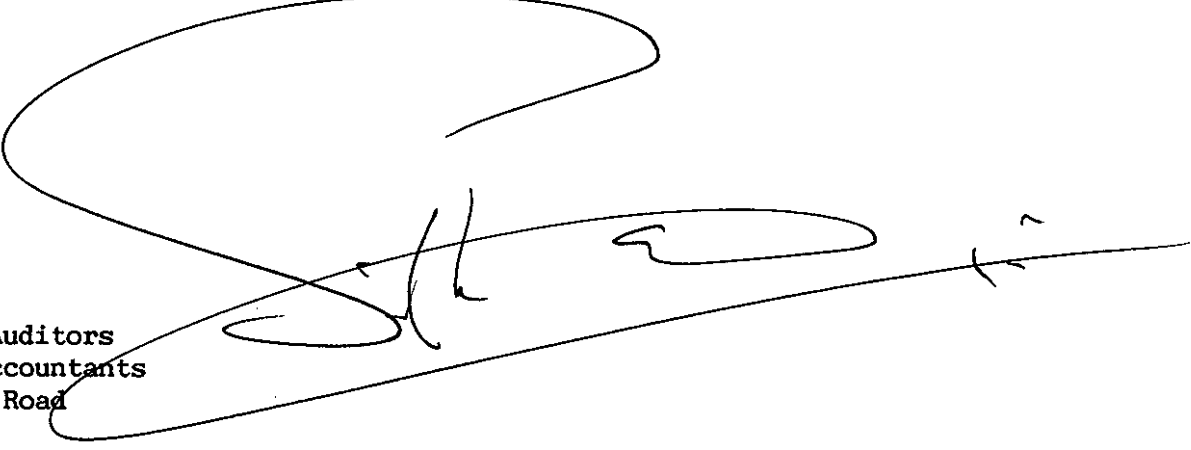
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 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 error or other irregularity. 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 the company's affairs as at 30th June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Silk & Co
Registered Auditors
Chartered Accountants
23 Havelock Road
Hastings
East Sussex
TN34 1BP

Dated: 28th November 1997

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 1997

	Note	1997 £	1996 £
Turnover	2	72,800	72,800
Administrative expenses		(19,619)	(19,295)
Operating profit	3	53,181	53,505
Interest payable	4	(27,651)	(31,073)
Profit on ordinary activities before taxation		25,530	22,432
Taxation on profit on ordinary activities	6	(6,861)	-
Profit on ordinary activities after taxation		18,669	22,432
Dividends (on non-equity interests)	7	(3,469)	(3,413)
Retained profit for the year	15	15,200	19,019
Retained loss brought forward		(89,003)	(108,022)
Retained loss carried forward		(73,803)	(89,003)

None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 9 to 13 form part of these financial statements.

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30TH JUNE 1997

	1997 £	1996 £
Profit for the financial year	18,669	22,432
Unrealised surplus on revaluation of fixed assets investment property	<u>63,306</u>	<u>67,779</u>
Total recognised gains and losses relating to the year	<u><u>81,975</u></u>	<u><u>90,211</u></u>

The notes on pages 9 to 13 form part of these financial statements.

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

BALANCE SHEET

AS AT 30TH JUNE 1997

	Note	£	1997 £	£	1996 £
Fixed assets					
Tangible assets					
Investment property	8		973,943		910,637
Current assets					
Debtors	9	11,697		16,576	
Cash at bank and in hand		10,361		8,819	
		22,058		25,395	
Creditors: amounts falling due within one year	10	(101,705)		(100,399)	
Net current liabilities			(79,647)		(75,004)
Total assets less current liabilities			894,296		835,633
Creditors: amounts falling due after more than one year	11		(300,405)		(320,248)
Net assets			593,891		515,385
Capital and reserves					
Called up share capital	13		75,000		75,000
Revaluation reserve	14		592,694		529,388
Profit and loss account	15		(73,803)		(89,003)
Total shareholders' funds	12		593,891		515,385
Represented by:					
Equity interests			523,891		445,385
Non-equity interests			70,000		70,000
			593,891		515,385

Signed on behalf of the board of directors


H M Withers
Director

Approved by the board: 28th November 1997

The notes on pages 9 to 13 form part of these financial statements.

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 1997

	Note	£	1997 £	£	1996 £
Net cash inflow from operating activities	17		59,366		67,204
Returns on investments and servicing of finance					
Interest paid		(27,651)		(31,073)	
Non-equity dividends paid		(3,469)		(3,413)	
			(31,120)		(34,486)
Taxation					
Corporation tax			(6,861)		-
			21,385		32,718
Financing					
Bank loans repaid			(19,843)		(28,151)
Increase in cash in the year			1,542		4,567

The notes on pages 9 to 13 form part of these financial statements.

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

NOTES ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1997

1 Accounting policies**Basis of accounting**

The financial statements are prepared under the historical cost convention, modified to incorporate the revaluation of certain land and buildings, and include the results of the company's operations which are described in the directors' report and all of which are continuing.

Turnover

Turnover comprises the amounts received and receivable for services supplied by the company, falling within the company's ordinary activities.

Tangible fixed assets

The freehold investment property is valued annually and shown in the accounts at valuation. Net supluses are credited to the revaluation reserve.

Deferred taxation

No provision has been made for taxation deferred, as a result of there being no material timing differences between the incidence of income and expenditure. In addition, no deferred taxation has been provided for in respect of the investment property revaluation reserve, since no such tax liability is likely to crystallize in the foreseeable future.

2 Turnover

The turnover for the year was derived from the company's principal activity, management of its commercial freehold property.

The whole of the turnover is attributable to the UK market.

3 Operating profit

	1997 £	1996 £
Operating profit is stated after charging:		
Directors' remuneration	-	-
Auditors' remuneration	1,105	1,028
	<u> </u>	<u> </u>

4 Interest payable

	1997 £	1996 £
Bank interest	95	35
Bank loan interest	13,156	16,638
Loan stock interest (12% loan stock 1998 - 2005)	14,400	14,400
	<u>27,651</u>	<u>31,073</u>

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

NOTES ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1997

5 Staff costs

There were no staff costs in the year.

The average weekly number of employees, including directors, during the year was as follows:

	1997	1996
Office and administration	<u>3</u>	<u>3</u>

6 Taxation

	1997 £	1996 £
Taxation is based on the profit for the year and comprises:		
U K corporation tax at 23.25% (1996 - 24.75%)	5,936	-
Underprovision for corporation tax in prior years	<u>925</u>	<u>-</u>
	<u>6,861</u>	<u>-</u>

7 Dividends

	1997 £	1996 £
6.5% preference shares - paid	1,239	1,219
6.5% preferred ordinary shares - paid	<u>2,230</u>	<u>2,194</u>
Total dividends	<u>3,469</u>	<u>3,413</u>

The above is made up as follows:

Non-equity shares	<u>3,469</u>	<u>3,413</u>
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8 Tangible fixed assets

Freehold investment property

	£
Cost or valuation	
At 1st July 1996	910,637
Surplus on revaluation	<u>63,306</u>
At 30th June 1997	<u>973,943</u>

The 1997 valuation was made by the company's insurers, Sun Alliance, on the basis of their previous year's valuation index linked to current day values.

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

NOTES ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1997

9 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Advance corporation tax recoverable	8,397	13,076
Other debtors	3,300	3,500
	<u>11,697</u>	<u>16,576</u>

10 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank loan (secured)	20,000	20,000
Corporation tax	830	-
Advance corporation tax payable	220	430
Amounts owed to related companies	12,113	11,313
Accruals and deferred income	21,762	21,440
Other creditors	46,202	46,781
Unclaimed dividends	578	435
	<u>101,705</u>	<u>100,399</u>

The bank loan is secured by way of debentures over the company's assets.

The bank loan outstanding at the year end amounted to £137,224 (1996 - £157,067) and this is payable in annual instalments, including interest. The capital repayments are as follows:

	1997 £	1996 £
Within one year	20,000	20,000
Between one and two years	20,000	20,000
Between two and five years	97,224	117,067

11 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Bank loan (secured)	117,224	137,067
Related companies	63,181	63,181
12% loan stock 1998 - 2005	120,000	120,000
	<u>300,405</u>	<u>320,248</u>

The bank loan is secured by way of debentures over the company's assets.

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

NOTES ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1997

12 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	18,669	22,432
Less: Dividends	3,469	3,413
	<u>15,200</u>	<u>19,019</u>
Surplus on investment property revaluation	63,306	67,779
Opening shareholders' funds	515,385	428,587
Closing shareholders' funds	<u>593,891</u>	<u>515,385</u>

13 Called up share capital

	1997 £	1996 £
Authorised and issued		
1,000 6.5% preference shares of £25 each	25,000	25,000
1,800 6.5% preferred ordinary shares of £25 each	45,000	45,000
5,000 deferred ordinary shares of £1 each	5,000	5,000
	<u>75,000</u>	<u>75,000</u>

14 Revaluation reserve

	1997 £	1996 £
At 1st July 1996	529,388	461,609
Surplus on investment property revaluation	63,306	67,779
At 30th June 1997	<u>592,694</u>	<u>529,388</u>

15 Profit and loss account

	1997 £	1996 £
At 1st July 1996	(89,003)	(108,022)
Retained profit for the year	15,200	19,019
At 30th June 1997	<u>(73,803)</u>	<u>(89,003)</u>

16 Transactions involving directors

The rent, rates and office services paid by the company, are provided in a building in which the director H M Withers FCA FTII has an interest.

SOUTH WHARF INVESTMENTS (PORTSLADE) LTD

NOTES ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1997

17 Notes to the cash flow statement

Reconciliation of operating profit to
net cash flow from operating activities

	1997 £	1996 £
Operating profit	53,181	53,505
Decrease/(increase) in debtors	4,879	(2,463)
Increase in creditors	1,306	16,162
Net cash inflow from operating activities	<u>59,366</u>	<u>67,204</u>

18 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At 1st July 1996 £	Cash flows £	Other Changes £	At 30th June 1997 £
Cash at bank and in hand	8,819	1,542	-	10,361
		<u>1,542</u>		
Debt due within 1 year	(20,000)	19,843	(19,843)	(20,000)
Debt due after 1 year	(332,067)	-	19,843	(312,224)
		<u>19,843</u>		
Total	<u>(343,248)</u>	<u>21,385</u>	<u>-</u>	<u>(321,863)</u>

19 Notes to the cash flow statement (continued)

Reconciliation of net cash flow to movement in net debt

	1997 £	1996 £
Increase in cash in the year	1,542	4,567
Cash outflow from decrease in debt	19,843	28,151
Change in net debt resulting from cash flows	<u>21,385</u>	<u>32,718</u>
Net debt at 1st July 1996	<u>(343,248)</u>	<u>(375,966)</u>
Net debt at 30th June 1997	<u>(321,863)</u>	<u>(343,248)</u>