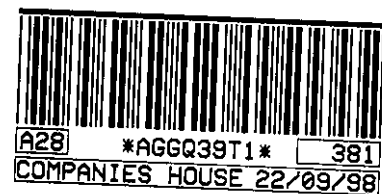


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ADDISON DEVELOPMENTS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 1998



ADDISON DEVELOPMENTS LIMITED

CONTENTS

	Page
Company Information	1
Directors' Report	2-3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Accounting Policies	7
Notes to the Financial Statements	8-10

COMPANY INFORMATION

DIRECTORS

The Hon Mrs Townshend
Sir Simon Hornby
J R Townshend
G A Dobson
R I Sanderson

SECRETARY

R I Sanderson

REGISTERED OFFICE

The Estate Office
Melbury Sampford
Dorchester
Dorset
DT2 0LF

REGISTERED NUMBER

3343045

SOLICITORS

Wilsons
Steynings House
Chapel Place
Fisherton Street
Salisbury
Wiltshire

BANKERS

National Westminster Bank plc
2 Hendford
Yeovil
Somerset

AUDITORS

Saffery Champness
1 St Stephens Court
St Stephens Road
Bournemouth
Dorset
BH2 6LA

DIRECTORS' REPORT

The directors submit their report and audited financial statements for Addison Developments Limited for the year ended 31 March 1998.

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:

- 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 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 ACTIVITIES

The company was incorporated as a private limited company in England and Wales on 1 April 1997 and commenced trading on that day.

The principal activity of the company is that of property development.

The company currently has two projects running, Manor Farmhouse, Melbury Osmond which is a short term development project and Bow Lane, London which is a long term development contract.

Manor Farmhouse is due for completion in August and Bow Lane in 2001. As the Bow Lane project is a multi million pound scheme which will substantially utilise the management and financial resources of the company the directors do not envisage undertaking any additional major projects in the near future.

The company has not recognised any income in these accounts in relation to these projects as neither was complete at the year end. Bow Lane does qualify as a long term contract but at 31 March 1998 work on this contract was not significantly progressed to enable any turnover or profit to be recognised.

RESULTS AND REVIEW OF THE BUSINESS

The net profit for the year, after taxation, was £65,798 which is taken to reserves. The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The company will continue to develop its principal activities.

DIRECTORS' REPORT (continued)

YEAR 2000 DATE CHANGE

The company has reviewed the impact on the business of the Year 2000 date change and has made plans to address this so that the business will not be materially affected, although it is recognised that the risks associated with the date change cannot be completely eliminated. An action programme has been established to review all systems within the company to identify hardware and software which is not currently Year 2000 compliant and to replace or amend it as necessary. The action plan also encompasses customers and suppliers of the company, and will involve making enquiries of all customers and suppliers to identify their state of readiness and to attempt to assess whether any further action will be required to safeguard sales or supplies. The costs to the company of dealing with these matters is unknown at this stage, but is not expected to be material.

SHARE CAPITAL

During the year, 7,000,000 ordinary £1 shares were issued, on three separate dates, at par and for cash, in order to provide the initial working capital of the company.

DIRECTORS AND THEIR INTERESTS

The directors who have held office during the year ended 31 March 1998 are as follows:

The Hon. Mrs Townshend (appointed 1 April 1997)

Sir Simon Hornby (appointed 10 April 1997)

J R Townshend (appointed 10 December 1997)

G A Dobson (appointed 10 April 1997)

R I Sanderson (appointed 1 April 1997)

Sir Simon Hornby, as Trustee, is interested in all the issued share capital of the company.

TAXATION

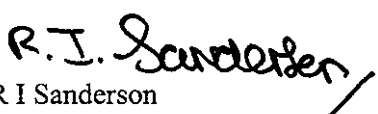
The company is a close company as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

Saffery Champness were appointed as the first auditors of the company on 13 October 1997.

A resolution to re-appoint Saffery Champness as auditors will be put to the members at the annual general meeting.

On behalf of the board


R I Sanderson

Secretary

16 September 1998

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on pages 2 and 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 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 March 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



SAFFERY CHAMPNESS

Chartered Accountants

1 St Stephens Court

St Stephens Road

Bournemouth

Dorset

BH2 6LA

16 September 1998

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1998

	Notes	1998
TURNOVER	1	-
Administrative expenses		<u>(40,404)</u>
OPERATING LOSS		<u>(40,404)</u>
Other interest receivable and similar income		106,021
Rental income		<u>17,672</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	83,289
TAXATION	4	<u>(17,491)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	9	<u><u>£65,798</u></u>

The company's turnover and expenses all relate to continuing operations.

There were no recognised gains or losses during the year other than those included in the profit and loss account.

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

BALANCE SHEET
AT 31 MARCH 1998

	Notes	1998
CURRENT ASSETS		
Stocks and work in progress	5	7,252,996
Debtors	6	35,144
Cash at bank and in hand		138,154
		<u>7,426,294</u>
CREDITORS: Amounts falling due within one year	7	<u>(360,496)</u>
NET ASSETS		<u><u>£7,065,798</u></u>
CAPITAL AND RESERVES		
Called up share capital	8	7,000,000
Profit and loss account	9	65,798
SHAREHOLDERS' FUNDS	10	<u><u>£7,065,798</u></u>

The financial statements were approved by the Board on 16 September 1998 and signed on its behalf by



The Hon Mrs Townshend
Director

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

ACCOUNTING POLICIES

A ACCOUNTING CONVENTION

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

B TURNOVER

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers. Turnover on long terms contracts is recognised in accordance with the value of work carried out to date.

C STOCKS AND WORK IN PROGRESS

Stocks and work in progress (except long term contract balances) are valued at the lower of cost and net realisable value.

Long term contract balances are stated at net cost less foreseeable losses less any applicable payments on account. The amount recorded as turnover in respect of long term contracts is ascertained by reference to the value of the work carried out to date. Attributable profit is recognised as the difference between recorded turnover and related costs.

D DEFERRED TAXATION

Deferred taxation is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at rates of tax expected to apply when the timing differences reverse.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

1 TURNOVER

Turnover arises in respect of the principal activity of the company as described on page 2. The company operates within the UK and the whole of its turnover is to the UK market.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION 1998

The profit on ordinary activities before taxation is stated after charging:

Auditor's remuneration	£2,000
Directors' remuneration	<u>£-</u>

The company has no employees but has incurred a management charge of £5,000 in relation to staff employed by Ilchester Estates, a related company.

3 INTEREST PAYABLE AND SIMILAR CHARGES

Bank loans and overdrafts	<u>£25,065</u>
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4 TAXATION

Based on the profit for the year:

Corporation tax	<u>£17,491</u>
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5 STOCKS AND WORK IN PROGRESS

Development work in progress	<u>£7,252,996</u>
------------------------------	-------------------

6 DEBTORS

Trade debtors	12,079
Other debtors	23,065
	<u>£35,144</u>

1998

7 CREDITORS: Amounts falling due within one year

Bank loan	250,000
Trade creditors	33,755
Corporation tax	17,491
Other creditors	47,333
Accruals and deferred income	11,917
	<u>£360,496</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

7 CREDITORS: Amounts falling due within one year (continued)

The bank loan is repayable on an interest only basis for thirty two months from 6 February 1998 and bears interest at 1.25% above National Westminster Bank Plc base rate. The loan is secured by a fixed and floating charge over the assets and undertakings of the company and by a first legal mortgage over the Bow Lane site. A second legal mortgage has been taken by the Wardens and Commonalty of the Mystery of Goldsmiths of the City of London.

8 SHARE CAPITAL

	1998
Authorised	
Ordinary shares of £1 each	£10,000,000
	<u> </u>
Allotted, called up and fully paid	
Ordinary shares of £1 each	£7,000,000
	<u> </u>

7,000,000 ordinary £1 shares were issued, at par and for cash, during the year on three separate dates in order to provide the company with working capital to carry out property developments.

9 PROFIT AND LOSS ACCOUNT

As at 1 April 1997	-
Retained for the year	65,798
	<u> </u>
As at 31 March 1998	£65,798
	<u> </u>

10 RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS

Issues of share capital	7,000,000
Retained profit for the year	65,798
	<u> </u>
	7,065,798
	<u> </u>
Opening shareholders' funds	-
Closing shareholders' funds	£7,065,798
	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

11 RELATED PARTY TRANSACTIONS

The company is ultimately controlled by the trustees of Ilchester Estates (2) Disentailed Estate by virtue of their 100% share ownership.

The company had the following related parties with whom transactions were undertaken during the year:-

Ilchester Estates	- A company whose shares are owned by the same Trustees as the company's ultimate controlling party.
Strangways Enterprises	- A business in which the Hon Mrs Townshend is the sole proprietor.

During the year the following transactions took place:-

Management charges made from Ilchester Estates £5,000

Acquisition of Manor Farmhouse, Melbury Osmond from Strangways Enterprises for £195,000.

Related party balances at 31 March 1998 were as follows:-

Creditor balances	<u>£34,176</u>
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