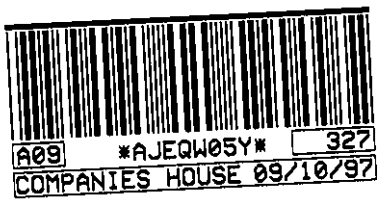
KADAR DEVELOPMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

24 MARCH 1997

COMPANY NUMBER: 803335



Kidsons Impey
Chartered Accountants
Spectrum House
20-26 Cursitor Street
London EC4A 1HY

KADAR DEVELOPMENTS LIMITED

DIRECTORS' REPORT

24 March 1997

The directors present their report and the audited financial statements for the year ended 24 March 1997.

Principal activities and business review

The company's principal activity is property investment. It is anticipated that there will be no change in the company's activity in the near future.

Results and dividends

The results of the company are shown in the profit and loss account on page 4. The directors do not recommend the payment of a dividend (1996 - nil).

Directors

The directors of the company during the year were as follows

D.G. Goldberg
Mrs. S. Goldberg
Mrs. M.E. Joseph
D.I. Wheeler

At 25 March 1996 and 24 March 1997 D.I. Wheeler held no shares in any group undertaking. The other directors are all directors of Plyflow Limited (the ultimate parent company) and the Directors' Report of that company discloses their interests in the shares of all group undertakings.

Directors' responsibilities

We are required under company law 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 these financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates; and
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets; and
- taking reasonable steps for the prevention and detection of fraud.

Auditors

Kidsons Impey have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



M.E. Joseph

Director

Registered Office:

67 Mutley Plain,
Plymouth, PL4 6JH

September 3rd 1997

KADAR DEVELOPMENTS LIMITED

AUDITORS' REPORT

Auditors' report to the members of Kadar Developments Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 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 the company's affairs at 24 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kidsons Impey

Registered Auditors

Chartered Accountants

London

3 September 1997

KADAR DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 24 March 1997

	Note	1997 £	1996 £
Turnover - rents receivable		390,480	375,937
Staff costs	2	(25,785)	(25,766)
Depreciation		(98)	(106)
Other operating charges		(47,746)	(46,919)
Operating profit	3	316,851	303,146
Share of operating loss of associated undertaking		(124,651)	(126,242)
Investment income	4	9,305	5,458
Interest payable	5	(191,144)	(198,149)
Profit/(loss) on ordinary activities before taxation		10,361	(15,787)
Taxation	6	19,000	-
Profit/(loss) on ordinary activities after taxation		29,361	(15,787)
Reserves brought forward		273,875	289,662
Reserves carried forward		303,236	273,875

The company has had no recognised gains and losses during this year and last year other than profit or loss for the financial year.

All the company's activities are classed as continuing.

KADAR DEVELOPMENTS LIMITED

BALANCE SHEET

24 March 1997

	Note	1997		1996	
		£	£	£	£
Fixed assets					
Tangible assets	7		4,011,553		4,009,548
Investments	8		50,774		50,774
			4,062,327		4,060,322
Current assets					
Debtors	9	341,810		343,452	
Cash at bank		62,064		176,181	
		403,874		519,633	
Creditors: amounts falling due within one year	10	(598,944)		(2,067,059)	
Net current liabilities			(195,070)		(1,547,426)
Total assets less current liabilities			3,867,257		2,512,896
Creditors: amounts falling due after more than one year	11		(1,344,000)		-
Provision for liabilities and charges					
Deferred taxation	12		(11,000)		(30,000)
			2,512,257		2,482,896
Capital and reserves					
Called up share capital	13		1,000		1,000
Revaluation reserve	14		2,207,521		2,207,521
Capital redemption reserve			500		500
Profit and loss account			303,236		273,875
Equity shareholders' funds	15		2,512,257		2,482,896

The financial statements on pages 4 to 10 were approved by the board of directors on 3rd September 1997

D.G. Goldberg - Director

KADAR DEVELOPMENTS LIMITED

NOTES ON FINANCIAL STATEMENTS

24 March 1997

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for freehold investment land and buildings which are stated at valuation. The profits or losses arising on the disposal of items stated at valuation are determined by reference to the difference between the valuation and the sale proceeds.

Cash flow statement

The company has taken advantage of the exemptions from preparing a cash flow statement conferred by Financial Reporting Standards No. 1 on the grounds that it is entitled to the exemptions available in Sections 246 and 247 of the Companies Act 1985 for small companies.

Depreciation

No depreciation has been provided on freehold land and buildings since these are held as investments and in the opinion of the directors their value is at least equal to the net book amount.

Depreciation of other fixed assets is charged at rates estimated to write off their cost or valuation less any residual value over the expected useful lives at the following rates:

Fixtures and fittings - 10% to 33⅓% per annum on net book amount

Associated undertaking

The company is a partner in The Tychon Partnership (associated undertaking). The company's share of results is included in the profit and loss account.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Defined contribution scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Directors and employees

	1997	1996
	£	£
Staff costs including directors' emoluments		
Wages and salaries	23,210	23,856
Social security costs	1,575	910
Other pension costs	1,000	1,000
	25,785	25,766
	Number	**Number**
Average number employed	5	5
	£	£
Directors' emoluments	13,655	13,647

The group operates a defined contribution pension scheme in respect of certain employees. The assets of the scheme are held separately from those of the group in independently administered funds.

3	**Operating profit**	1997 £	1996 £
	Operating profit is stated after charging		
	Auditors' remuneration	5,000	5,800

4	**Investment income**		
	Interest on short term bank deposit	4,229	5,178
	Other interest receivable	5,076	280
		9,305	5,458

5	**Interest payable**		
	Loans wholly repayable within five years	25,365	25,366
	Bank term loan	165,779	172,783
		191,144	198,149

6	**Taxation**		
	Deferred taxation	19,000	-

There are taxation losses amounting to approximately £660,000 (1996 - £640,000) of which approximately £405,000 (1996 - £390,000) is available to carry forward against future trading income only, £50,000 (1996 - £50,000) is available to carry forward against future capital gains only, and £200,000 (1996 - £200,000) is available to carry forward against future rental or trading income or capital gains.

7	**Tangible fixed assets**	**Freehold investment land and buildings** £	**Fixtures and fittings** £	**Total** £
	Cost or valuation			
	25 March 1996	4,008,750	5,166	4,013,916
	Additions	2,103	-	2,103
	24 March 1997	4,010,853	5,166	4,016,019
	Depreciation			
	25 March 1996	-	4,368	4,368
	Charge for year	-	98	98
	24 March 1997	-	4,466	4,466
	Net book amount			
	24 March 1997	4,010,853	700	4,011,553
	25 March 1996	4,008,750	798	4,009,548

	Freehold investment land and buildings at valuation	1997 £	1996 £
	Directors' valuation at 24 March 1997	4,010,853	4,008,750

The freehold investment land and buildings are valued at open market value on an existing use basis.

7 Tangible fixed assets (continued)	1997 £	1996 £
Historical cost information		
Historical cost and net book amount of revalued land and buildings	1,803,332	1,801,229

The freehold investment land and buildings are leased to third parties.

8 Fixed asset investments	£
Unlisted investment at cost	
24 March 1997 and 25 March 1996	50,774

The amount represents the capital which the company has introduced to The Tychon Partnership, a limited partnership which is registered in England, in which the company is a general partner. The Tychon Partnership's principal activities are to deal in and refurbish and develop property.

9 Debtors	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	12,045	14,061
Amounts owed by group undertakings	327,478	327,478
Prepayments and accrued income	2,287	1,913
	341,810	343,452

10 Creditors: amounts falling due within one year		
Bank term facility	36,000	1,380,000
Loans from directors	30,184	30,184
Other loans	146,810	146,810
Amounts owed to group undertakings	75,086	75,086
Corporation tax	80	80
Other taxation and social security	1,269	1,586
Accruals and deferred income	56,011	69,365
The Tychon Partnership (note 8)	253,504	363,948
	598,944	2,067,059

The bank term facility is secured on freehold property and has been renewed until 31 January 2002. The rates of interest as at 24 March 1997 were 9.69% on £1,183,000 and 8.41% on £197,000 of the loan.

11 Creditors: amounts falling due after more than one year	1997 £	1996 £
Bank term facility (see note 10)	1,344,000	-

12 **Deferred taxation**

	1997		1996	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by:				
Capital allowances	222,000	222,000	234,000	234,000
Other timing differences	(6,000)	(6,000)	(10,000)	(10,000)
Chargeable gain on revaluation surplus	685,000	-	730,000	-
Taxation losses	(205,000)	(205,000)	(194,000)	(194,000)
	696,000	11,000	760,000	30,000

The potential liability and provision are based on a corporation tax rate of 31% (1996 - 33%).

13 **Called up share capital**

	1997 and 1996	
	Number of shares	£
Authorised		
Ordinary shares of £1 each	1,000	1,000
Preference shares of £1 each	500	500
	1,500	1,500
Allotted, called up and fully paid		
Ordinary shares of £1 each	1,000	1,000

14 **Revaluation reserve**

	Freehold investment land and buildings £
24 March 1997 and 24 March 1996	2,207,521

15 **Movement in equity shareholders' funds**

	1997 £	1996 £
At 25 March 1996	2,482,896	2,498,683
Profit/(loss) for the year	29,361	(15,787)
At 24 March 1997	2,512,257	2,482,896

16 Financial commitments

(i) The company has guaranteed the bank term facility of The Tychon Partnership (note 8) which amounted to £1,667,000 at 24 March 1997 (1996 - £1,737,000).

(ii) The company is jointly and severally liable for the financial commitments of The Tychon Partnership (note 8).

17 Directors' interests

(i) Mr D.G. Goldberg has a 15% interest in a freehold property, the remaining 85% of which is included in the balance sheet of the company at a valuation of £1,296,250.

(ii) Mr D.G. Goldberg is a limited partner in The Tychon Partnership (note 8). At 24 March 1997 his contribution to the capital of that partnership amounted to £40,000.

18 Ultimate parent company

The ultimate parent company is Plyflow Limited, a company incorporated in Great Britain.