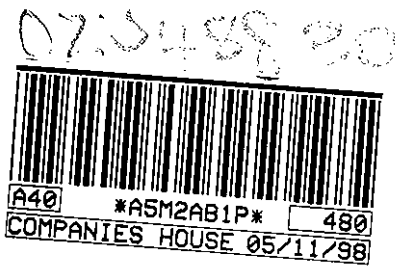
WILLAN DEVELOPMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 5 APRIL 1998



WILLAN DEVELOPMENTS LIMITED COMPANY NUMBER - 2348830

DIRECTORS' REPORT

The directors present their report and audited financial statements for the financial year, being the 53 weeks ended 5 April 1998.

ACTIVITIES

The company's principal activity is that of property development.

REVIEW OF THE BUSINESS

The profit for the year after taxation amounted to £66,520 (1997 - loss of £76,550) which has been transferred to reserves. The directors do not recommend the payment of a dividend (1997 - £Nil).

DIRECTORS

The directors who served during the year, and their interests in the share capital of the company at the beginning and end of the year, were as follows:

	Ordinary shares of £1 each	
	5 April 1998	31 March 1997
R P A Willan	-	-
F J Turnbull	10	10
P E Soper (Resigned on 31 March 1998)	-	-

The interests of R P A Willan and F J Turnbull in the share capital of the ultimate parent undertaking, Willan Group Limited are shown in the directors' report of that company.

In accordance with the Articles of Association, F J Turnbull and R P A Willan retire and, being eligible, offer themselves for re-election.

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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

WILLAN DEVELOPMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

A S LAWSON
Secretary

29 June 1998

Audit and Business
Advisory Services

101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Telephone: 0161-245 2000
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Facsimile: 0161-245 2904/8/9

Price Waterhouse

AUDITORS' REPORT TO THE MEMBERS OF WILLAN DEVELOPMENTS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and 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 the 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 5 April 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

29 June 1998

Offices at Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Hull, Leeds, Leicester, London, Manchester, Middlesbrough, Newcastle, Nottingham, St Albans, Southampton and Windsor.

The partnership's principal place of business is at Southwark Towers, 32 London Bridge Street, London SE1 9SY where a list of the partners' names is available for inspection.

The firm is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

WILLAN DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 5 APRIL 1998

	1998 £	1997 £
TURNOVER (Note 2)	3,865,222	3,021,497
Cost of sales	(3,543,158)	(2,905,155)
GROSS PROFIT	322,064	116,342
Administrative expenses	(173,120)	(149,244)
OPERATING PROFIT/(LOSS) (Note 3)	148,944	(32,902)
Interest receivable (Note 5)	-	22,086
Interest payable (Note 6)	(47,753)	(107,367)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	101,191	(118,183)
Tax on profit/(loss) on ordinary activities (Note 7)	(34,671)	41,633
PROFIT/(LOSS) FOR THE FINANCIAL YEAR TRANSFERRED TO/(FROM) RESERVES (Note 14)	66,520	(76,550)

There are no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 6 to 11 form part of these financial statements.

The above profits/(losses) are stated on an historical cost basis.

The above results are derived from continuing operations.

WILLAN DEVELOPMENTS LIMITED

BALANCE SHEET - 5 APRIL 1998

	1998		1997	
	£	£	£	£
FIXED ASSETS				
Tangible assets (Note 8)		1,350		2,292
Investments (Note 9)		159,766		205,983
		161,116		208,275
CURRENT ASSETS				
Stocks and work in progress (Note 10)	1,385,112		1,635,707	
Debtors (Note 11)	617,513		355,439	
	2,002,625		1,991,146	
CREDITORS - Amounts falling due within one year (Note 12)	(2,409,221)		(2,511,421)	
NET CURRENT LIABILITIES		(406,596)		(520,275)
TOTAL ASSETS LESS CURRENT LIABILITIES		(245,480)		(312,000)
CAPITAL AND RESERVES				
Called up share capital (Note 13)		1,000,000		1,000,000
Profit and loss account (Note 14)		(1,245,480)		(1,312,000)
EQUITY SHAREHOLDERS' FUNDS		(245,480)		(312,000)

THE FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON 29 June 1998

F J Turnbull
DIRECTOR

The notes on pages 6 to 11 form part of these financial statements.

WILLAN DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 5 APRIL 1998

1 ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Depreciation

Provision is made for depreciation on tangible assets at rates calculated to write off the cost of each asset over its expected useful life as follows:

Leasehold improvements	-	20% straight line
Computer equipment	-	25% - 33⅓% reducing balance
Motor vehicles	-	25% straight line

(c) Stocks and work in progress

Land on hand, exchange properties and materials are valued at the lower of cost and estimated net realisable value. Work in progress and finished property held for sale are valued at the cost of construction, including attributable interest, or at estimated market value if lower.

(d) Deferred taxation

Taxation deferred or accelerated by the effect of timing differences is accounted for, at anticipated tax rates, only to the extent that it is probable that a liability or asset will crystallise.

(e) Leasing

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2 TURNOVER

Turnover, which arose entirely in the United Kingdom, represents the amounts receivable for goods and services supplied to customers, excluding value added tax. All turnover and profit before taxation arises from the continuing activity of property development work.

3 OPERATING PROFIT/(LOSS)

	1998 £	1997 £
Operating profit/(loss) is stated after charging:		
Auditors' remuneration	4,400	4,300
Operating lease rentals	4,914	3,273
Depreciation	942	825

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 5 APRIL 1998 (CONTINUED)

4 DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Directors' remuneration	1,992	5,200
Employee costs during the year (including directors)	£	£
Wages and salaries	130,535	108,517
Social security costs	12,752	9,555
Pension costs	3,048	4,324
	146,335	122,396
	Number	Number
Average number of employees	7	6

5 INTEREST RECEIVABLE

	1998 £	1997 £
From group undertakings	-	12,527
Other interest	-	9,559
	-	22,086

6 INTEREST PAYABLE

	1998 £	1997 £
On loans and overdrafts repayable within 5 years	144,019	138,064
Other interest	12,215	16,180
	156,234	154,244
Less: charged as cost of sales	(108,481)	(46,877)
	47,753	107,367

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998 £	1997 £
UK Corporation Tax at 31% (1997: 33%) - current year	34,671	(41,633)

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 5 APRIL 1998 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Computer equipment £	Motor vehicles £	Total £
COST				
At 31 March 1997 and 5 April 1998	2,247	1,473	1,500	5,220
ACCUMULATED DEPRECIATION				
At 31 March 1997	1,708	1,001	219	2,928
Charge for the year	449	118	375	942
At 5 April 1998	2,157	1,119	594	3,870
NET BOOK AMOUNT				
At 5 April 1998	90	354	906	1,350
At 31 March 1997	539	472	1,281	2,292

There was no capital expenditure authorised or contracted for as at 5 April1998 (1997 - Nil).

9 INVESTMENTS

Equity shares	£
At 31 March 1997	205,983
Realised	(32,110)
Provision	(14,107)
At 5 April 1998	159,766

The equity shares represent investments held in properties sold by the company over which the company holds a legal charge.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 5 APRIL 1998 (CONTINUED)

10 STOCKS

	1998 £	1997 £
Materials	3,000	6,000
Work in progress	1,382,112	1,629,707
	1,385,112	1,635,707

Included within work in progress is capitalised interest of £49,594 (1997 - £8,479).

11 DEBTORS

	1998 £	1997 £
Trade debtors	195,083	358
Amounts owed by parent undertaking	170,336	-
Amounts owed by fellow subsidiary undertaking	202,864	265,497
Other debtors	4,591	3,444
Social security and other taxes	33,491	73,278
Prepayments	11,148	12,862
	617,513	355,439

12 CREDITORS - Amounts falling due within one year

	1998 £	1997 £
Bank overdraft	592,630	242,366
Bank loans	712,786	295,500
Other loan	81,875	179,375
Trade creditors	219,273	208,131
Accruals	9,498	7,859
House deposits	14,200	600
Corporation tax	34,671	-
Social security and other taxes	6,170	5,127
Amount owing to parent undertaking	-	167,791
Amounts owing to fellow subsidiary undertakings	705,018	934,399
Other creditors	33,100	470,273
	2,409,221	2,511,421

The bank overdraft and bank loans are secured on fixed and current assets. The other loan is secured on certain investment properties of the group.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 5 APRIL 1998 (CONTINUED)

13 SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000

14 PROFIT AND LOSS ACCOUNT

	£
At 31 March 1997	(1,312,000)
Retained profit for the year	66,520
At 5 April 1998	(1,245,480)

There were no movements in equity shareholders' funds other than the profit for the financial year.

15 COMMITMENTS UNDER OPERATING LEASES

	1998	1997
	£	£
Expiring:		
Within 1 year	1,407	-
Between 1 and 5 years	-	9,949

16 CONTINGENT LIABILITIES AND COMMITMENTS

The company has entered into a composite guarantee in relation to any overdrafts of its parent and fellow subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 5 APRIL 1998 (CONTINUED)

17 PENSION COMMITMENTS

i) Employees

Willan Group Limited formerly operated a pension scheme providing benefits based on final pensionable pay. With effect from 1 January 1997 this arrangement ceased and new individual group personal pension policies based on defined contributions were established for eligible members. Further details of pension arrangements are disclosed in the accounts of Willan Group Limited. Contributions paid direct to employees' personal pension plans are charged in the period in which they fall due.

ii) Directors

The group operates a pension fund for certain of the directors which is financed through a separate trustee administered fund. All contributions are charged against profit as incurred and are based upon actuarial advice.

18 STATEMENT OF CASHFLOWS

The company's parent undertaking, Willan Group Limited, includes a cash flow statement in its 1998 accounts. Therefore, in accordance with Financial Reporting Standard No. 1 (Revised), no such statement is included in these accounts.

19 PARENT UNDERTAKING AND CONTROL

The company's ultimate parent undertaking is Willan Group Limited, which is registered in England. The company's ultimate controlling party is certain members of the Willan family, principally RPA Willan.

Copies of the group accounts of Willan Group Limited can be obtained from the registered office at 2 Brooklands Road, Sale, Cheshire M33 3SS.

20 RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related Party Disclosures", as the consolidated accounts of Willan Group Limited, in which the company is included, are available at the address above.

As at 5 April 1998 the company had a loan payable of £81,875 (1997 - £179,379) to the Willan Directors' Pension Scheme.