

PRIORDRIVE LIMITED

DIRECTORS

J S McCarthy
K Lovelock
M W J Thorne

SECRETARY

T L Green

AUDITORS

Ernst & Young
Southampton
Hampshire

BANKERS

National Westminster Bank PLC
Christchurch
Dorset

SOLICITORS

Travers Smith Braithwaite
Snow Hill
London

REGISTERED OFFICE

3 Queensway
New Milton
Hampshire

REGISTERED NUMBER

1174940



PRIORDRIVE LIMITED.

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 August 1994.

RESULTS AND DIVIDENDS

During the year the company purchased a number of flats from McCarthy & Stone (Developments) Limited, a fellow subsidiary company. These flats are let to the resident house managers of the blocks of flats. The company made a profit of £33,969. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

A list of the present directors is shown on page 1.

J S McCarthy held office throughout the year covered by the accounts, K Lovelock and M W J Thorne have held office since their appointment on 7 September 1993. In addition J Gray held office until he resigned as a director on 24 September 1993.

No director has any interest in the share capital of the company.

The company is not required to disclose details of the interests of the directors in the holding company as they are directors of that company.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



T. L. Green
Secretary

8 December 1994

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts;

prepare the accounts 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 accounts 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.

PRIORDRIVE LIMITED

AUDITORS' REPORT

REPORT OF THE AUDITORS

To the members of Priordrive Limited

We have audited the accounts on pages 5 to 10, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

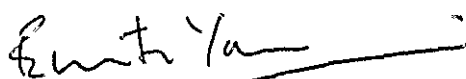
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 August 1994 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Southampton
8 December 1994

PRIORDRIVE LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 August 1994

	Notes	1994 £	1993 £
Rental Income		49,874	-
		<u> </u>	<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	49,874	-
Tax charge	3	15,905	-
		<u> </u>	<u> </u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>33,969</u>	<u>-</u>

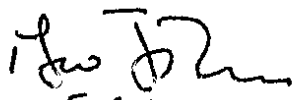
The company had no recognised gains or losses other than the profit for the year shown above. A reconciliation of shareholders funds and movements on reserves is given as note 7 to the accounts.

PRIORDRIVE LIMITED

BALANCE SHEET

At 31 August 1994

	Notes	1994 £	1993 £
FIXED ASSETS	4	506,738	-
CURRENT ASSETS			
Trade debtors		49,874	-
Amount owed by parent undertaking		-	3,000
		<u>49,874</u>	<u>3,000</u>
CREDITORS: amount falling due within one year			
Amounts owed to fellow subsidiaries		506,738	-
Amount owed to parent undertaking		12,905	-
		<u></u>	<u></u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(469,769)</u>	<u>3,000</u>
NET ASSETS		<u><u>26,969</u></u>	<u><u>3,000</u></u>
CAPITAL AND RESERVES			
Called up share capital	5	3,000	3,000
Profit and loss account		33,969	-
		<u></u>	<u></u>
Shareholders funds - equity interests	6	<u><u>36,969</u></u>	<u><u>3,000</u></u>



M W J Thorne
Director
8 December 1994

PRIORDRIVE LIMITED

NOTES TO THE ACCOUNTS **At 31 August 1994**

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked, see 'Investment Properties'.

Cashflow statement

No cashflow statement has been prepared for the company as it is itself a wholly owned subsidiary. A group consolidated cashflow statement is included in the accounts of the ultimate parent undertaking, McCarthy & Stone plc.

Rental income

Rental income is the amount invoiced to third parties, excluding value added tax, which relates to the current accounting period.

Investment Properties

In accordance with Statement of Standard Accounting Practice 19 investment properties are normally revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

NOTES TO THE ACCOUNTS (Continued)
At 31 August 1994

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	1994 £	1993 £
Auditors remuneration	-	-
Directors emoluments	-	-

3. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1994 £	1993 £
Amount payable for group relief based on the profit for the year	15,905	-
	<u>15,905</u>	<u>-</u>

4. FIXED ASSETS

Long Leasehold
Investment Properties
£

Cost	
At 1 September 1993	-
Additions in year	506,738
At 31 August 1994	<u>506,738</u>

PRIORDRIVE LIMITED

NOTES TO THE ACCOUNTS (Continued)

At 31 August 1994

5. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1994 No.	1993 No.	1994 £	1992 £
Ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

6. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £	Profit & Loss Account £	Total £
1 September 1992	3,000	-	3,000
Profit for the year	-	-	-
31 August 1993	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Profit for the year	-	33,969	33,969
31 August 1994	<u>3,000</u>	<u>33,969</u>	<u>36,969</u>

7. CONTINGENT LIABILITY

The company has given unlimited guarantees on the bank overdrafts, loans and hire purchase facilities of fellow subsidiaries. At 31 August 1994 the amount outstanding under those guarantees was £Nil (1993 - £48,358,961).

NOTES TO THE ACCOUNTS (Continued)

At 31 August 1994

8. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary undertaking of McCarthy & Stone plc, which is registered in England and Wales. The consolidated accounts of McCarthy & Stone plc are those of both the smallest and largest group of which the company is a member and for which group accounts are prepared. Copies of the Group Accounts can be obtained from the Company Secretary, Homelife House, 26-32 Oxford Road, Bournemouth.