

1704435 (England)
589/M32

ACCOUNTS FOR REGISTRAR

MERLEWOOD ESTATES LIMITED

Director's Report and Financial Statements
for the year ended 30 June 1998



MERLEWOOD ESTATES LIMITED

Company Information

Director	C.P. Farrell
Secretary	Mrs. S. Smith
Company Number	1704435 (England)
Registered Office	18 Queen Anne Street London W1M 0HB
Auditors	Cavendish & Co Chartered Certified Accountants Registered Auditors 18 Queen Anne Street London W1M 0HB
Business Address	Ryewater Nursery Folke Near Sherborne Dorset DT9 5PL
Bankers	Bank of Scotland plc West End Office 14/16 Cockspur Street London SW1Y 5BL

MERLEWOOD ESTATES LIMITED

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MERLEWOOD ESTATES LIMITED

Director's Report for the year ended 30 June 1998

The director presents his report and the financial statements for the year ended 30 June 1998.

Principal Activities and Review of the Business

The principal activity of the company in the year under review was property dealing.

The director considers the results achieved and the state of the company's affairs at the year end to be satisfactory.

Results and Dividends

The results for the year are set out on page 4.

The director does not recommend payment of a dividend.

Director and his Interests

The director who served during the year and his interests in the company were as stated below.

	Class of share	Number of shares	
		1998	1997
C.P. Farrell	Ordinary shares	99	99

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, Cavendish & Co, will be deemed to be reappointed for each succeeding financial year.

Basis of preparation

In preparing the above report the directors have taken advantage of special exemptions conferred by Part II of Schedule 8 applicable under s246(1B) of the Companies Act 1985.

MERLEWOOD ESTATES LIMITED

Director's Report for the year ended 30 June 1998 (continued)

Director's Responsibilities

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

This report was approved by the Board on 20/1/99.....

Mrs. S. Smith
Secretary



MERLEWOOD ESTATES LIMITED

**Auditors' Report
to the shareholders of Merlewood Estates Limited**

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of the director and auditors

As described on page 2 the company's director is 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.

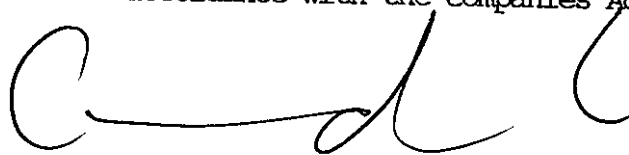
Basis of opinion

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 director 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 as at 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Cavendish & Co
Chartered Certified Accountants
Registered Auditors
18 Queen Anne Street
London W1M 0HB

Date : 21/1/99

MERLEWOOD ESTATES LIMITED

**Profit and Loss Account
for the year ended 30 June 1998**

	Notes	1998 £	1997 £
Turnover	2	455,850	830,258
Cost of sales		(427,412)	(719,101)
Gross profit		<u>28,438</u>	<u>111,157</u>
Other operating costs		(9,484)	(23,711)
Administrative expenses		(81,457)	(81,268)
Other operating income		113,261	105,433
Operating profit	3	<u>50,758</u>	<u>111,611</u>
Other interest receivable and similar income	4	4,162	3,325
Interest payable and similar charges	5	(35,589)	(24,524)
Profit on ordinary activities before taxation		<u>19,331</u>	<u>90,412</u>
Tax on profit on ordinary activities	6	(4,008)	(5,989)
Profit for the year	14	<u>£ 15,323</u>	<u>£ 84,423</u>

There are no recognised gains and losses other than those passing through the profit and loss account.

The attached notes form an integral part of these accounts.

MERLEWOOD ESTATES LIMITED

**Balance Sheet
as at 30 June 1998**

	Notes	£	1998 £	£	1997 £
Fixed Assets					
Tangible assets	7		2,060		2,747
Investments	8		2		2
			<u>2,062</u>		<u>2,749</u>
Current Assets					
Stocks	9	1,265,378		959,678	
Debtors	10	45,900		92,873	
Cash at bank and in hand		97,190		53,834	
		<u>1,408,468</u>		<u>1,106,385</u>	
Creditors: amounts falling due within one year	11	<u>(879,614)</u>		<u>(593,541)</u>	
Net Current Assets			<u>528,854</u>		<u>512,844</u>
Total Assets Less Current Liabilities			<u>£ 530,916</u>		<u>£ 515,593</u>
Capital and Reserves					
Called up share capital	13		100		100
Profit and loss account	14		530,816		515,493
Shareholders' Funds (equity interests)	15		<u>£ 530,916</u>		<u>£ 515,593</u>

Reduced disclosure

The directors have taken advantage of special exemptions conferred by Part I of Schedule 8 to the Companies Act 1985 on the grounds that, in the directors' opinion, the company is entitled to those exemptions as a small company.

The financial statements were approved by the Board on ...20/1/99.....

C.P. Farrell

Director



The attached notes form an integral part of these accounts.

MERLEWOOD ESTATES LIMITED

**Notes to the Financial Statements
for the year ended 30 June 1998**

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and include the results of the company's operations as indicated in the director's report, all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents sales of properties and income from joint ventures and commission.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	-	25 % Reducing balance
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1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

MERLEWOOD ESTATES LIMITED

Notes to the Financial Statements
for the year ended 30 June 1998

3.	Operating Profit	1998	1997
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	687	916
	Auditors' remuneration	7,638	7,638
	and after crediting:		
	Rent receivable	113,261	105,433
		<u> </u>	<u> </u>
4.	Other Interest Receivable and Similar Income	1998	1997
		£	£
	Bank interest received	837	-
	Other interest received	3,325	3,325
		<u> </u>	<u> </u>
		£ 4,162	£ 3,325
		<u> </u>	<u> </u>
5.	Interest Payable	1998	1997
		£	£
	On bank loans and overdrafts	35,589	24,524
		<u> </u>	<u> </u>
		£ 35,589	£ 24,524
		<u> </u>	<u> </u>
6.	Taxation	1998	1997
		£	£
	U.K. Current year taxation		
	U.K. Corporation tax at 21% (1997 - 24%)	4,010	6,210
	Prior years		
	U.K. Corporation tax	(2)	(221)
		<u> </u>	<u> </u>
		£ 4,008	£ 5,989
		<u> </u>	<u> </u>

MERLEWOOD ESTATES LIMITED

Notes to the Financial Statements
for the year ended 30 June 1998

7. **Tangible assets**

	Fixtures, fittings & equipment £
Cost	
At 1 July 1997 & at 30 June 1998	17,317
Depreciation	
At 1 July 1997	14,570
Charge for year	687
At 30 June 1998	15,257
Net book values	
At 30 June 1998	£ 2,060
At 30 June 1997	£ 2,747

MERLEWOOD ESTATES LIMITED

Notes to the Financial Statements
for the year ended 30 June 1998

8.	Fixed Asset Investments	1998 £	1997 £
	Subsidiary undertakings	2	2
	Investment in subsidiary undertakings		
	Cost		Shares £
	At 1 July 1997 & at 30 June 1998		2
	Net Book Values		
	At 30 June 1998		£ 2
	At 30 June 1997		£ 2

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 10%

The company holds more than 10% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertaking			
Maida Vale Homes Limited	England	Ordinary	100

9.	Stocks	1998 £	1997 £
	Properties for resale	1,265,378	959,678
10.	Debtors	1998 £	1997 £
	Amounts owed by group undertaking	-	6,473
	Other debtors	38,651	79,151
	Prepayments and accrued income	7,249	7,249
		£ 45,900	£ 92,873

MERLEWOOD ESTATES LIMITED

Notes to the Financial Statements
for the year ended 30 June 1998

11. Creditors: amounts falling due within one year	1998 £	1997 £
Bank loans and overdrafts (secured)	334,350	445,050
Amounts owed to group undertaking	36,695	-
Joint venture participators	108,565	128,565
Corporation tax	4,010	6,210
Accruals and deferred income	395,994	13,716
	<u>£ 879,614</u>	<u>£ 593,541</u>

The company has a debenture with Bank of Scotland plc which is secured on the properties of the company by way of a legal charge and is supported by the guarantee from the director for £1,132,000.

12. Pension Costs

The pension contribution was for one of the employees.

13. Share Capital	1998 £	1997 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. Profit And Loss Account	1998 £	1997 £
Retained profits at 1 July 1997	515,493	431,070
Retained profit for the year	15,323	84,423
Retained profits at 30 June 1998	<u>£ 530,816</u>	<u>£ 515,493</u>

MERLEWOOD ESTATES LIMITED

Notes to the Financial Statements
for the year ended 30 June 1998

15. Reconciliation of Movements in Shareholders' Funds

	1998 £	1997 £
Profit for the financial year	15,323	84,423
Opening shareholders' funds	515,593	431,170
Closing shareholders' funds	<u>£ 530,916</u>	<u>£ 515,593</u>

16. Contingent Liabilities

The company has a cross corporate guarantee in favour of the bank for all monies due between Maida Vale Homes Limited and the company.

17. Employees

Number of employees

There were no employees during the year apart from the director and secretary.

Employment costs

	1998 £	1997 £
Other pension costs	2,500	2,500
	<u>£ 2,500</u>	<u>£ 2,500</u>