

Company Registration No: 1885199

ADAMHILL LIMITED

Report and Financial Statements

31 December 1997



REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

S B Kay
M H Marx

SECRETARY

S A Lanes FCA

REGISTERED OFFICE

Portland House
Stag Place
London SW1E 5DS

SOLICITORS

Linklaters & Paines
1 Silk Street
London EC2Y 8HQ

BANKERS

Barclays Bank PLC
50 Pall Mall
London SW1A 1QB

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND REVIEW OF DEVELOPMENTS

The principal activity of the company during the year and for the foreseeable future is the collection of licence fees and commissions.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 6.

The directors do not recommend the payment of a dividend (1996: £250,000).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were as follows:

S B Kay
M H Marx
A E Bodie (resigned 21 May 1997)

No director had any interests in the shares of the company nor any other Group company during the year except as noted below.

S B Kay is entitled to the following options granted by Development Securities PLC:

| Date of Grant | Number | | Exercise date | Price |
|---------------|--------|-----|----------------------------------|--------|
| 7 April 1994 | 15,000 | (1) | 7 April 1997 to 6 April 2004 | 322.5p |
| 23 June 1995 | 14,139 | (2) | 1 August 2000 to 31 January 2001 | 122.0p |
| 6 June 1996 | 15,000 | (3) | 6 June 1999 to 5 June 2006 | 190.5p |
| 19 May 1997 | 10,000 | (3) | 19 May 2000 to 18 May 2007 | 250.0p |

- (1) Granted under the 1985 Share Option Scheme
- (2) Granted under the Savings Related Option Scheme 1995
- (3) Granted under the Executive Share Option Scheme 1995, with a performance condition that the net assets per ordinary share of the Group are equal to or in excess of the average growth in the All Properties Capital Growth Index during the same period over three consecutive financial years.

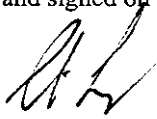
The interests of M H Marx in the 50p ordinary shares of Development Securities PLC and options granted to him under the company's share option scheme are disclosed in the 1997 Report and Financial Statements of that company.

DIRECTORS' REPORT (continued)

AUDITORS

A resolution concerning the reappointment of Deloitte & Touche as auditors is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



S A Lanes
Secretary

29 October 1998

STATEMENT OF 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 as at the end of the financial year and of its profit or loss for that year. 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;
- prepare the financial statements on a 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 financial statements comply with 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.

AUDITORS' REPORT TO THE MEMBERS OF ADAMHILL LIMITED

We have audited the financial statements on pages 6 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, 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 the company's affairs as at 31 December 1997 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

Hill House

1 Little New Street

London EC4A 3TR

29th October 1998

ADAMHILL LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 1997

| | Note | 1997 £ | 1996 £ |
|--|------|--------------------|--------------------|
| TURNOVER | 1 | 1,389,387 | 1,307,146 |
| Administrative expenses | | <u>(1,408,847)</u> | <u>(1,302,428)</u> |
| OPERATING (LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | (19,460) | 4,718 |
| Tax credit on (loss)/ profit on ordinary activities | 4 | <u>31,382</u> | <u>6,123</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 11,922 | 10,841 |
| Dividends on equity shares | 5 | <u>-</u> | <u>(250,000)</u> |
| RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR | | 11,922 | (239,159) |
| BALANCE BROUGHT FORWARD | | <u>41,143</u> | <u>280,302</u> |
| BALANCE CARRIED FORWARD | | <u>53,065</u> | <u>41,143</u> |

All turnover and operating profits and losses derive from continuing operations.

There are no recognised gains or losses or movements in shareholders' funds during the current and preceding financial year other than as stated in the profit and loss account.

ADAMHILL LIMITED

BALANCE SHEET 31 December 1997

| | Note | 1997 £ | 1996 £ |
|---|------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 6 | 605,846 | 443,222 |
| Investments | 7 | <u>100</u> | <u>100</u> |
| | | <u>605,946</u> | <u>443,322</u> |
| CURRENT ASSETS | | | |
| Debtors | 8 | 250,000 | 200,418 |
| Cash at bank and in hand | | <u>56,976</u> | <u>73,395</u> |
| | | 306,976 | 273,813 |
| CREDITORS: amounts falling due within one year | 9 | <u>(859,757)</u> | <u>(644,510)</u> |
| NET CURRENT LIABILITIES | | <u>(552,781)</u> | <u>(370,697)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 53,165 | 72,625 |
| PROVISION FOR LIABILITIES AND CHARGES | 10 | <u>-</u> | <u>(31,382)</u> |
| NET ASSETS | | <u>53,165</u> | <u>41,243</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 100 | 100 |
| Profit and loss account | | <u>53,065</u> | <u>41,143</u> |
| EQUITY SHAREHOLDERS' FUNDS | | <u>53,165</u> | <u>41,243</u> |

These financial statements were approved by the Board of Directors on 29th October 1998.

Signed on behalf of the Board of Directors


M H Marx
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1 ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

Turnover

Turnover represents licence fees and commissions receivable from continuing operations in the United Kingdom and is stated net of Value Added Tax.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings: 5% straight line on cost

Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Investments in Subsidiaries

The shares in subsidiaries shown as fixed assets in the balance sheet of the company are included at cost less any deficits considered to be permanent, which are charged to the profit and loss account.

2 OPERATING (LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The operating (loss)/ profit is stated after charging:

| | 1997 £ | 1996 £ |
|--------------------------|----------------|----------------|
| Depreciation | 33,209 | 18,556 |
| Staff costs (see note 3) | <u>235,158</u> | <u>200,114</u> |

The auditors' remuneration for the current and preceding financial year has been borne by Development Securities Estates PLC, a fellow subsidiary undertaking.

ADAMHILL LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1997

2 OPERATING (LOSS)/ PROFIT ON ORDINARY ACTIVITIES (continued)

Directors' Remuneration

| | 1997 £ | 1996 £ |
|---|----------------|---------------|
| Remuneration | 98,692 | 86,000 |
| Pensions – 1 director (defined contribution scheme) | <u>10,675</u> | <u>7,500</u> |
| | <u>109,367</u> | <u>93,500</u> |

| | 1997 £ | 1996 £ |
|-----------------------|---------------|---------------|
| Highest paid director | <u>98,692</u> | <u>86,000</u> |

3 STAFF COSTS (including directors)

| | 1997 £ | 1996 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 207,703 | 175,052 |
| Social security costs | <u>27,455</u> | <u>25,062</u> |
| | <u>235,158</u> | <u>200,114</u> |

| | | |
|--|----------|----------|
| The average monthly number of employees during the year was: | No. | No. |
| Office, management and sales | <u>9</u> | <u>7</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

4 TAX CREDIT ON (LOSS)/ PROFIT ON ORDINARY ACTIVITIES

The tax credit on the (loss)/profit on ordinary activities for the year was as follows:

| | 1997 £ | 1996 £ |
|-------------------|---------------|--------------|
| Deferred taxation | <u>31,382</u> | <u>6,123</u> |

The tax credit for the year results from an adjustment to prior year deferred tax.

5 DIVIDENDS

| | 1997 £ | 1996 £ |
|---|-----------|----------------|
| Final of £nil per ordinary share (1996: £2,500) | <u>-</u> | <u>250,000</u> |

6 TANGIBLE FIXED ASSETS

| | Fixtures and fittings £ |
|------------------------|-------------------------------|
| Cost: | |
| At 1 January 1997 | 615,920 |
| Additions | <u>194,511</u> |
| At 31 December 1997 | <u>810,431</u> |
| Depreciation: | |
| At 1 January 1997 | 172,698 |
| Charge for the year | <u>31,887</u> |
| At 31 December 1997 | <u>204,585</u> |
| Net book value: | |
| At 31 December 1997 | <u>605,846</u> |
| At 31 December 1996 | <u>443,222</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

7 INVESTMENTS

| | 1997 £ | 1996 £ |
|---------|------------|------------|
| At cost | <u>100</u> | <u>100</u> |

The above represents a direct, 100% equity holding in Pricebusters Limited, a company operating in the United Kingdom and registered in England and Wales.

8 DEBTORS

| | 1997 £ | 1996 £ |
|--|----------------|----------------|
| Amounts owed by fellow subsidiary undertakings | 181,896 | 150,611 |
| Other debtors | 16,482 | - |
| Prepayments | <u>51,622</u> | <u>49,807</u> |
| | <u>250,000</u> | <u>200,418</u> |

9 CREDITORS: amounts falling due within one year

| | 1997 £ | 1996 £ |
|--|----------------|----------------|
| Trade creditors | 31,035 | 46,047 |
| Amounts owed to ultimate parent company | 253,856 | 84,527 |
| Amounts owed to fellow subsidiary undertakings | 519,767 | 464,767 |
| Other taxation and social security | 6,073 | 4,983 |
| Other creditors | 34,160 | 21,430 |
| Accruals and deferred income | <u>14,866</u> | <u>22,756</u> |
| | <u>859,757</u> | <u>644,510</u> |

10 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

| | Provided £ | Unprovided £ |
|---|-----------------|-----------------|
| At 1 January 1997: accelerated capital allowances | 31,382 | - |
| Movement on provision in the year | <u>(31,382)</u> | <u>-</u> |
| At 31 December 1997 | <u>-</u> | <u>-</u> |

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

The amounts of deferred taxation not provided in the accounts are as follows:

| | 1997 £ | 1996 £ |
|--------------------------------|---------------|-----------|
| Accelerated capital allowances | <u>61,111</u> | <u>-</u> |

11 CALLED UP SHARE CAPITAL

| | 1997 £ | 1996 £ |
|---|------------|------------|
| Called up, allotted and fully paid: 100 ordinary shares of £1 each | <u>100</u> | <u>100</u> |

12 CASH FLOW STATEMENT

The ultimate parent company, Development Securities PLC, has prepared a consolidated cash flow statement in accordance with Financial Reporting Standard No. 1, thus exempting this company from the requirement to prepare a cash flow statement.

13 CONSOLIDATED FINANCIAL STATEMENTS

The financial statements present information about the company as an individual undertaking and consolidated financial statements are not prepared as the company is itself a wholly owned subsidiary of a company registered in England and Wales.

14 ULTIMATE PARENT COMPANY

The ultimate parent and controlling company is Development Securities PLC, a company registered in England and Wales. Copies of the Report and Financial Statements of Development Securities PLC can be obtained from Portland House, Stag Place, London SW1E 5DS.

15 RELATED PARTY DISCLOSURE

The company is a wholly owned subsidiary undertaking and, in accordance with the exemption provided by Financial Reporting Standard No. 8, "Related Party Disclosures," transactions with other undertakings within the Development Securities PLC Group have not been disclosed within these financial statements.