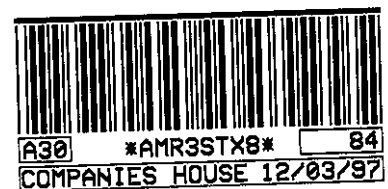


RICARDO PROPERTIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 30 JUNE 1996

REGISTERED NUMBER 2032816



DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 30 June 1996.

BUSINESS REVIEW

The principal activity of the Company consists of the management and the administration of freehold and leasehold properties for the Ricardo Group plc group of companies.

RESULTS AND DIVIDENDS

The results for the year are shown on page 5 of the financial statements. An interim dividend of £141,000 was paid during the year. The Directors propose to pay a final dividend of £750,000. A transfer of £689,000 has been made from reserves.

FIXED ASSETS

The movement in tangible fixed assets is given in Note 6 to the accounts.

DIRECTORS

The Directors who served during the year were:

J A Heaman
I Leigh

No Director has any interests in the shares of the Company.

The interests of the Directors who held office at 30 June 1996 in the share capital of the ultimate holding company, Ricardo Group plc, were as follows

	<u>30 June 1995</u>	<u>Granted/(exercised)</u> <u>in the year</u>	<u>30 June 1996</u>
<u>Ordinary Shares of</u> <u>25p each</u>			
J A Heaman	6,691	--	6,691
<u>Options over</u> <u>Shares of 25p</u> <u>each</u>			
J A Heaman	53,272	2,000	55,272
I Leigh	30,000	--	30,000

The options granted to the above Directors are exercisable at 64.5p, 265.4p, 160.7p, 119.9p, 106.2p, 138p and 114p up to 2002.

DIRECTORS' REPORT (Continued)

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required to prepare financial statements 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 the results for the year. In preparing the financial statements, suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made. The financial statements are prepared in compliance with applicable accounting standards and with the Companies Act 1985. The Directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'H Ede', followed by a small horizontal line.

H Ede
Secretary

16 January 1997

AUDITORS' REPORT
TO THE MEMBERS OF
RICARDO PROPERTIES LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 8.

Respective responsibilities of the directors and auditors

As described on page 3, 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.

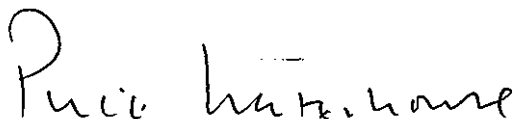
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of the 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 mis-statement, whether caused by fraud or 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 at 30 June 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Bristol

16 January 1997

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1996

	Note	1996 £'000	1995 £'000
<u>TURNOVER</u> - continuing operations	2	966	1,059
Operating charges		<u>(582)</u>	<u>(499)</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</u>		384	560
Interest on continuing operations		<u>(30)</u>	<u>(45)</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	4	354	515
Taxation on profit on ordinary activities	5	<u>(152)</u>	<u>(124)</u>
<u>PROFIT FOR THE FINANCIAL YEAR</u>		202	391
Dividends paid and proposed		<u>(891)</u>	<u>(166)</u>
<u>RETAINED PROFIT TRANSFERRED (FROM)/TO RESERVES</u>	12	<u>(689)</u>	<u>225</u>

Note 12 to the accounts details the movements on reserves for the financial year. The profit for the financial year includes all recognised gains and losses in the year.

The notes on pages 8 to 13 form part of these accounts.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED
30 JUNE 1996**

	1996 £'000	1995 £'000
Reported profit on ordinary activities before taxation	354	515
Realisation of property revaluation gains of previous years	51	--
Historical cost profit on ordinary activities before taxation	<u>405</u>	<u>515</u>
Historical cost (loss)/profit for the year after taxation and dividends	<u>(638)</u>	<u>225</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE
YEAR ENDED 30 JUNE 1996**

	1996 £'000	1995 £'000
Profit for the financial year	202	391
Dividends	<u>(891)</u>	<u>(166)</u>
(Deduction from)/additions to shareholders' funds	(689)	225
Opening shareholders' funds	<u>1,923</u>	<u>1,698</u>
Closing shareholders' funds	<u>1,234</u>	<u>1,923</u>

RICARDO PROPERTIES LIMITED

BALANCE SHEET AS AT 30 JUNE 1996

	Note	1996 £'000	1995 £'000
<u>FIXED ASSETS</u>			
Tangible Assets	6	8,027	7,982
<u>CURRENT ASSETS</u>			
Properties for sale	7	1,642	2,085
Debtors	8	<u>798</u>	<u>281</u>
		2,440	2,366
<u>CREDITORS</u>			
Amounts falling due within one year	9	<u>(9,203)</u>	<u>(8,365)</u>
<u>NET CURRENT LIABILITIES</u>			
		<u>(6,763)</u>	<u>(5,999)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,264	1,983
Provision for liabilities and charges	10	<u>(30)</u>	<u>(60)</u>
NET ASSETS			
		<u>1,234</u>	<u>1,923</u>
<u>CAPITAL RESERVES</u>			
Called up share capital	11	500	500
Revaluation reserves	12	583	634
Profit and loss account	12	<u>151</u>	<u>789</u>
SHAREHOLDERS' FUNDS			
		<u>1,234</u>	<u>1,923</u>

The notes on pages 8 to 13 form part of these accounts.

These accounts were approved by the Board of Directors on 16 January 1997.



J A HEAMAN
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1996

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards. the particular accounting policies are described below:

a) Accounting Convention

Long leasehold and freehold land and buildings are stated at cost or latest professional valuation. All other items are stated in the accounts under the historical cost accounting convention.

b) Fixed Assets

Depreciation is provided to write off the value (being cost or valuation less estimated residual value) of long leasehold property and freehold buildings and the cost of other tangible fixed assets over their estimated useful lives as follows:

Freehold buildings	-	over 50 years
Long leasehold property	-	over the term of the lease
Short leasehold property	-	over the term of the lease
Fixtures, fittings and equipment	-	between 3 and 10 years

c) Properties for sale

Properties for sale are treated as current assets and are stated at their estimated realisable value.

d) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

e) Leases

The cost of operating leases are dealt with by way of a charge to the profit and loss account as incurred.

2. TURNOVER

Turnover represents the amount of rents and service charges receivable net of Value Added Tax. All turnover is derived in the United Kingdom.

3. STAFF COSTS

Average number of persons employed during the year was 1 (1995 - 1).

	1996 £'000	1995 £'000
Staff costs charged to the profit and loss account are as follows:		
Wages & Salaries	42	29
Social Security Costs	5	1
Other Pension Costs	3	2
	<hr/> 50	<hr/> 32

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 1996
(continued)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £'000	1995 £'000
i) This is shown after charging:		
Auditors remuneration.	3	3
Fees in respect of other services provided by the auditors.	16	12
Depreciation.	37	42
Operating leases.	136	114
Bank interest payable.	30	45
	1996 £'000	1995 £'000
ii) <u>Emoluments of directors:</u>		
Directors emoluments (including pension contributions).	42	32
Chairman and highest paid director (excluding pension contributions).	39	31

Directors' emoluments consist of a recharge from a fellow subsidiary and are based on the services provided in connection with the management of the company.

	1996 NUMBER	1995 NUMBER
The emoluments of the directors (excluding pension contributions) were within the following ranges:		
£0 - £5,000	1	2
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-

iii) Operating leases

Commitments exist for operating lease rentals payable during 1996/97 for leases of land and buildings which expire in future years as follows:

	1996 £'000	1995 £'000
Expiry within:		
One year	33	-
Two to five years	8	43
More than five years	71	71
	112	114

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1996
(continued)

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
United Kingdom corporation tax		
Current at 33% (1995: 33%)	(160)	(145)
Deferred tax	30	-
Prior year adjustment:		
Corporation tax	(22)	21
	<u>(152)</u>	<u>(124)</u>

6. TANGIBLE FIXED ASSETS

	Land and Buildings				Total
	Freehold	Long Leasehold	Short Leasehold	Fixtures Fittings & Equipment	
	£'000	£'000	£'000	£'000	£'000
<u>COST OR VALUATION</u>					
At 1 July 1995	8,881	43	2	40	8,966
Additions	32	-	-	1	33
Disposals	-	-	(2)	(4)	(6)
Intercompany transfers in	-	-	-	74	74
At 30 June 1996	<u>8,913</u>	<u>43</u>	<u>-</u>	<u>111</u>	<u>9,067</u>
<u>DEPRECIATION</u>					
At 1 July 1995	932	28	2	22	984
Charge for year	29	3	-	5	37
Disposals	-	-	(2)	(2)	(4)
Intercompany transfers in	-	-	-	23	23
At 30 June 1996	<u>961</u>	<u>31</u>	<u>-</u>	<u>48</u>	<u>1,040</u>
NET BOOK AMOUNT					
At 30 June 1996	<u>7,952</u>	<u>12</u>	<u>-</u>	<u>63</u>	<u>8,027</u>
NET BOOK AMOUNT					
At 30 June 1995	<u>7,949</u>	<u>15</u>	<u>-</u>	<u>18</u>	<u>7,982</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1996
(continued)

The amount of cost and revaluation of the freehold and long leasehold properties at 30 June 1996 are as follows:

	Freehold £'000	Long Leasehold £'000
Properties at:		
Cost	5,240	43
Revaluation and subsequent additions	<u>3,673</u>	<u>-</u>
	<u>8,913</u>	<u>43</u>

The historical cost of Freehold properties and their net book amount at 30 June 1996 are as follows:

	Freehold £'000
Cost	8,330
Accumulated depreciation	<u>(898)</u>
	<u>7,432</u>

7. PROPERTIES FOR SALE

	1996 £'000	1995 £'000
As at 1 July 1995	2,085	2,085
Additions	38	-
Disposals	<u>(481)</u>	<u>-</u>
As at 30 June 1996	<u>1,642</u>	<u>2,085</u>

8. DEBTORS

	1996 £'000	1995 £'000
Trade debtors	195	41
Amounts owed by fellow subsidiary undertakings	272	182
Prepayments and accrued income	302	50
Other taxes and social security	<u>29</u>	<u>8</u>
	<u>798</u>	<u>281</u>

All of these amounts are due within one year of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1996
(continued)

9. CREDITORS - Amounts falling due within one year

	1996	1995
	£'000	£'000
Bank overdraft	275	430
Trade creditors	258	37
Amounts owed to parent undertaking	7,659	6,906
Amounts owed to fellow subsidiary undertakings	25	567
Corporation tax	749	425
Accruals and other creditors	237	-
	<u>9,203</u>	<u>8,365</u>

The bank overdraft is repayable on demand and is secured by unlimited guarantees provided by other group undertakings.

10. PROVISION FOR LIABILITIES AND CHARGES

	1996	1995
	£'000	£'000
<u>Deferred Taxation</u>		
Balance at 1 July 1995	60	60
Movement in year	(30)	-
	<u>30</u>	<u>60</u>

The amounts provided are in respect of:

Accelerated capital allowances on properties held for resale	<u>30</u>	<u>60</u>
--	-----------	-----------

No provision has been made for the following deferred taxation in respect of capital allowances in advance of depreciation or in respect of tax arising if the properties which are classified as fixed assets were disposed of at their revalued amounts, as no liability is expected to crystallise in the foreseeable future. The deferred tax not provided is as follows:

	1996	1995
	£'000	£'000
Accelerated capital allowances	1,520	1,500
Other short term timing differences	(30)	(40)
	<u>1,490</u>	<u>1,460</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1996
(continued)

11. SHARE CAPITAL

	1996 £'000	1995 £'000
Ordinary shares of £1 each authorised, allotted and fully paid	<u>500</u>	<u>500</u>

12. RESERVES

	Revaluation Reserves £'000	Profit and Loss Account £'000
Balance at 1 July 1995	634	789
Revaluation transfer	(51)	51
Deficit for the year	-	(689)
	<u>583</u>	<u>151</u>
Balance at 30 June 1996		

13. CONTINGENT LIABILITIES

The Company has given an unlimited guarantee in respect of the bank overdrafts of other group companies which amounted to £4,675,435 at 30 June 1996 (1995 - £2,486,182).

14. ULTIMATE HOLDING COMPANY

Ricardo Group plc, which is registered in England, is the ultimate holding company as at 30 June 1996. Copies of the consolidated accounts of Ricardo Group plc which is the largest and smallest group for which group accounts are prepared and of which Ricardo Properties Limited is a member are available from: The Company Secretary, Ricardo Group plc, 1 Watling Drive, Sketchley Business Park, Hinckley, Leicestershire, LE10 3EY.