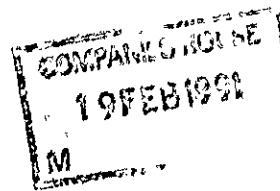


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SAC ESTATES LIMITED

DIRECTORS REPORT AND ACCOUNTS

10 MONTHS ENDED 30 JUNE 1990

SAC ESTATES LIMITED

DIRECTORS' REPORT

The Directors present their Report and Accounts for the 10 months ended 30th June 1990.

CHANGE OF OWNERSHIP

On 15th March 1990, the ultimate holding Company of SAC Estates Limited, SAC International plc, was acquired by Ricardo Group plc.

The Company changed its year end to co-incide with that of Ricardo Group plc.

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 period are shown on page 5 of the financial statements. An interim dividend of £37,000 was paid during the year. The Directors do not propose to pay a final dividend and the loss for the period of £103,000 will be transferred to reserves.

FIXED ASSETS

The movement in tangible fixed assets is given in Note 6 to the accounts. It is the policy of the Company to revalue its assets progressively over three years.

TAX STATUS

In the opinion of the Directors, the close company provisions of the Income and Corporations Taxes Act 1970 do not apply to the Company.

DIRECTORS

The Directors who served during the period were:-

R W Smedley - Chairman and Managing Director
W T Neen - Resigned 9th August 1990
J A Heaman

The Directors had no direct or family interest in the shares of the Company nor rights to acquire its shares.

Mr Smedley's and Mr Neen's interests in the share capital of the ultimate holding company, Ricardo Group plc, are as disclosed in the accounts of that company. The other director's interests are as follows:-

Ordinary Shares

| | | |
|------------|-----------------------------------------------------------|-----------------------------------------------------------------|
| | Ricardo Group plc shares of 25p each 30th June 1990 | SAC International plc shares of 10p each 31st August 1989 |
| J A HEAMAN | 1441 | 1758 |

Options

| | | |
|------------|-----------------------------------------|---------------------------------------------|
| | Ricardo Group plc shares of 25p each | SAC International plc shares of 10p each |
| J A HEAMAN | 30,750 | 37,500 |

Following the acquisition of SAC International plc, the share options in that company's shares were converted into share options in Ricardo Group plc. The options granted to Mrs Heaman are exercisable at 87.5p, 280p, 169.5p and 126.5p between now and 1999.

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.

BY ORDER OF THE BOARD

S Jenkins

S E JENKINS
Secretary

25th September 1990

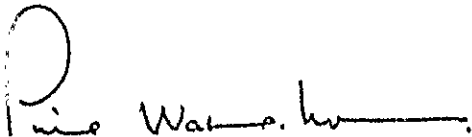
REPORT OF THE AUDITORS

TO THE MEMBERS OF

SAC ESTATES LIMITED

We have audited the financial statements on pages 5 to 13 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30th June 1990 and of its loss and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read "Price Waterhouse", with a long horizontal line extending to the right.

PRICE WATERHOUSE
Chartered Accountants
Bristol

25th September 1990

• SAC ESTATES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 10 MONTHS ENDED 30TH JUNE 1990

| | | <u>10 months</u> <u>ended 30 June</u> <u>NOTE 1990</u> £'000 | <u>Year ended</u> <u>31 August</u> <u>1989</u> £'000 |
|-----------------------------------------------------------------------|----|-----------------------------------------------------------------------|---------------------------------------------------------------|
| <u>TURNOVER</u> | 2 | 1003 | 1053 |
| External charges | | (740) | (636) |
| Other operating charges | | (374) | (451) |
| Other operating income | | 24 | 56 |
| | | ----- | ----- |
| <u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES</u> <u>BEFORE INTEREST</u> | | (87) | 22 |
| INTEREST | | (1) | (1) |
| | | ----- | ----- |
| <u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES</u> <u>BEFORE TAXATION</u> | 4 | (86) | 21 |
| Taxation on (loss)/profit on ordinary activities | 5 | 20 | 10 |
| | | ----- | ----- |
| <u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES</u> <u>AFTER TAXATION</u> | | (66) | 31 |
| Dividends - paid | | (37) | (3) |
| - proposed | | - | (16) |
| | | ----- | ----- |
| <u>(LOSS)/PROFIT FOR THE FINANCIAL PERIOD</u> | 11 | (103) | 12 |
| | | ===== | ===== |

Note 11 to the accounts details the movements on reserves for the financial period.

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

SAC ESTATES LIMITED

BALANCE SHEET AS AT 30TH JUNE 1990

| | NOTE | AT 30TH JUNE 1990 | AT 31ST AUGUST 1989 |
|--------------------------------------------------|------|-------------------------|---------------------------|
| | | £'000 | £'000 |
| <u>FIXED ASSETS</u> | | | |
| Tangible assets | 6 | 9,977 | 4,849 |
| <u>CURRENT ASSETS</u> | | | |
| Debtors | 7 | 299 | 412 |
| <u>CREDITORS</u> | | | |
| Amounts falling due within one year | 8 | (8,493) | (3,827) |
| <u>NET CURRENT LIABILITIES</u> | | (8,194) | (3,415) |
| <u>TOTAL ASSETS LESS CURRENT LIABILITIES</u> | | 1,783 | 1,434 |
| Provision for liabilities and charges | 9 | (-) | (-) |
| | | 1,783 | 1,434 |
| <u>CAPITAL AND RESERVES</u> | | | |
| Called up share capital | 10 | 500 | 500 |
| Profit & Loss Account | 11 | (64) | 39 |
| Revaluation Reserves | 11 | 1,347 | 895 |
| | | 1,783 | 1,434 |

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

These accounts were approved by the Board of Directors on 25th September 1990.

J A Heaman - Director

R W Smedley - Director

SAC ESTATES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE 10 MONTHS ENDED 30TH JUNE 1990

| | <u>10 months ended</u> <u>30 June</u> <u>1990</u> | | <u>Year Ended</u> <u>31 August</u> <u>1989</u> | |
|-----------------------------------------------------------|---------------------------------------------------------|--------|------------------------------------------------------|---------|
| | £000 | £000 | £000 | £000 |
| <u>SOURCE OF FUNDS</u> | | | | |
| (Loss)/Profit on ordinary activities before taxation | | (86) | | 21 |
| Adjustments for items not involving the movement of funds | | | | |
| Depreciation | | - | | 36 |
| Profit on disposal of fixed assets | | (64) | | - |
| | | ----- | | ---- |
| <u>TOTAL GENERATED FROM / (ABSORBED BY) OPERATIONS</u> | | (150) | | 57 |
| <u>OTHER SOURCES</u> | | | | |
| Proceeds from sale of fixed assets | | 198 | | - |
| Proceeds from issue of shares | | - | | 400 |
| | | ---- | | ---- |
| <u>TOTAL FROM ALL SOURCES</u> | | 48 | | 457 |
| <u>APPLICATION OF FUNDS</u> | | | | |
| Purchase of fixed assets | | (973) | | (294) |
| Transfer of fixed assets from group companies | | (3837) | | - |
| Taxation paid | | - | | (4) |
| Dividends paid | | (53) | | (3) |
| | | ----- | | ----- |
| | | (4815) | | 156 |
| <u>DECREASE / (INCREASE) IN WORKING CAPITAL</u> | | | | |
| Debtors | (31) | | 8 | |
| Creditors | 557 | | (64) | |
| Gross indebtedness | 3957 | | (1,945) | |
| | ----- | 4483 | ----- | (2,001) |
| | | ----- | | ----- |
| | | (332) | | (1,845) |
| | | ===== | | ===== |
| <u>MOVEMENT IN NET LIQUID FUNDS</u> | | | | |
| Bank overdraft | | (332) | | (1,845) |
| | | ===== | | ===== |

SAC ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 30TH JUNE 1990

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items considered material in relation to the Company's accounts.

(a) Basis of Accounting

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

It is the policy of the company to revalue its freehold and long leasehold properties on a rolling basis every three years and to maintain its properties in a sound state of repair. The Directors, therefore, consider that the lives of the properties are so long, and their residual values so high, that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties. The fixtures, fittings and equipment are written off over between 3 and 10 years on a straight line basis.

(c) 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.

(d) Leases

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

(e) Pensions

The company participates in a contributory money purchase pension scheme and contributions are charged against profit in the year they are paid.

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

The average number of persons employed during the period was six, (1989 six)

| | 1990 £000's | 1989 £000's |
|--------------------------------------------------------------------------|----------------|----------------|
| Staff costs charged to the profit and loss account are as follows: | | |
| Wages & Salaries | 32 | 32 |
| Social Security Costs | 3 | 3 |
| Other Pension Costs | 4 | 4 |

SAC ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 30TH JUNE 1990
(CONTINUED)

4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | <u>10 months</u> <u>ended</u> <u>30 June</u> <u>1990</u> <u>£'000</u> | <u>Year</u> <u>ended</u> <u>31 August</u> <u>1989</u> <u>£'000</u> |
|------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| (i) This is shown after charging:- | | |
| Director's emoluments | 32 | 29 |
| Auditor's remuneration | 2 | 3 |
| Depreciation | - | 36 |
| Operating leases | 220 | 241 |
| Dilapidations provisions | 169 | - |

(ii) Emoluments of directors:

The Chairman did not receive any emoluments (1989 £nil) and the highest paid Director's emoluments, excluding pension contributions, were £27,823 (1989 £25,845). No other payments were made to the third Director.

(iii) Operating Leases

Commitments exist for operating lease rentals payable during 1990/91 for leases of land and buildings which expire in future years as follows:-

| | <u>10 months</u> <u>ended</u> <u>30 June</u> <u>1990</u> <u>£'000</u> | <u>Year</u> <u>ended</u> <u>31 August</u> <u>1989</u> <u>£'000</u> |
|----------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Expiry within: | | |
| One year | 60 | 62 |
| Two to five years | 34 | 84 |
| More than five years | 182 | 129 |
| | <u>276</u> | <u>275</u> |

5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

| | <u>10 months</u> <u>ended</u> <u>30 June</u> <u>1990</u> <u>£'000</u> | <u>Year</u> <u>ended</u> <u>31 August</u> <u>1989</u> <u>£'000</u> |
|--------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| United Kingdom corporation tax at 35% (1989 35%) | 11 | (9) |
| Prior year adjustment | 9 | 19 |
| | <u>20</u> | <u>10</u> |

SAC ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 30TH JUNE 1990 (CONTINUED)

6. TANGIBLE FIXED ASSETS

| | Land and Buildings | | | Assets in the | Fixtures | |
|------------------------------------------|--------------------|----------------|-----------------|------------------------|----------------------|--------|
| | Freehold | Long Leasehold | Short Leasehold | Course of Construction | Fittings & Equipment | Total |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>COST OR VALUATION</u> | | | | | | |
| At 31st August 1989 | 3,739 | 1,243 | 6 | 7 | 20 | 5,015 |
| Revaluation | 357 | - | - | - | - | 357 |
| Additions at cost | 939 | 26 | - | (7) | 15 | 973 |
| Inter-company transfers in | 4,969 | - | - | - | - | 4,969 |
| Inter-company transfers out | (294) | - | - | - | - | (294) |
| Disposals | (142) | - | - | - | - | (142) |
| Reclassification | (407) | 407 | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| At 30th June 1990 | 9,161 | 1,676 | 6 | - | 35 | 10,878 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| <u>DEPRECIATION</u> | | | | | | |
| At 31st August 1989 | 154 | 6 | 6 | - | - | 166 |
| Depreciation on disposal | (8) | - | - | - | - | (8) |
| Depreciation written back on revaluation | (95) | - | - | - | - | (95) |
| Depreciation on company transfers | 838 | - | - | - | - | 838 |
| Reclassification | (6) | 6 | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| At 30th June 1990 | 883 | 12 | 6 | - | - | 901 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Net Book Amount at 30th June 1990 | 8,278 | 1,664 | - | - | 35 | 9,977 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Net Book Amount at 31st August 1989 | 3,585 | 1,237 | - | 7 | 20 | 4,849 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Freehold land and buildings include properties which were revalued during the period by Hartnell Taylor Cook and Prudential Commercial Property Services on the basis of current open market value at a value of £2,097,000. Other properties which were professionally valued in prior years are as follows:

SAC ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 30 JUNE 1990 (continued)

The amount of the cost of revaluation of the freehold and long leasehold properties at 30 June 1990 are as follows:

| | | Freehold £'000 | Long Leasehold £'000 |
|-------------|--------|-------------------|-------------------------|
| Cost | | 5803 | 60 |
| Revaluation | - 1990 | 2097 | - |
| | - 1989 | 476 | 407 |
| | - 1988 | 785 | 1209 |
| | | <hr/> | <hr/> |
| | | 9161 | 1676 |
| | | ===== | ===== |

The historical cost of the properties and their net book amount are as follows:

| | Freehold £'000 | Long Leasehold £'000 |
|--------------------------|-------------------|-------------------------|
| Cost | 8140 | 1350 |
| Accumulated depreciation | (872) | (5) ³ |
| | <hr/> | <hr/> |
| | 7268 | 1345 |
| | ===== | ===== |

7 DEBTORS

| | As at 30 June 1990 ----- £'000 | As at 31 August 1989 ----- £'000 |
|---------------------------------|--------------------------------------------|----------------------------------------------|
| Amounts owed by group companies | 95 | 239 |
| Prepayments and other debtors | 204 | 173 |
| | <hr/> | <hr/> |
| | 299 | 412 |
| | ===== | ===== |

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

SAC ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 30 JUNE 1990 (continued)

8 CREDITORS - Amounts falling due within one year

| | As at 30 June 1990 ----- £'000 | As at 31 August 1989 ----- £'000 |
|------------------------------------|--------------------------------------------|----------------------------------------------|
| Bank overdraft | 2,257 | 1,925 |
| Trade creditors | 334 | 165 |
| Accruals & other creditors | 400 | 12 |
| Corporation tax | 8 | 28 |
| Dividends | - | 16 |
| Amounts owed to group companies | 5,494 | 1,681 |
| | ----- 8,493 ===== | ----- 3,827 ===== |

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

9 PROVISION FOR LIABILITIES AND CHARGES

| | As at 30 June 1990 ----- £'000 | As at 31 August 1989 ----- £'000 |
|--------------------------------------------------|--------------------------------------------|----------------------------------------------|
| Deferred Taxation | | |
| Capital allowances in advance of depreciation | - ---- | - ---- |

No provision has been made for deferred taxation in respect of capital allowances in advance of depreciation as no liability is expected to crystallise in the foreseeable future. The maximum potential liability for capital allowances in advance of depreciation at the 30th June 1990 amounted to £1,299,000 (1989 £149,000). No provision for deferred taxation has been made in relation to the surplus on the revaluation of freehold and long leasehold land and buildings included in the revaluation reserve.

10 SHARE CAPITAL

| | At 30 June 1990 £'000 | At 31 August 1989 £'000 |
|----------------------------------------------------------------------|-----------------------------|-------------------------------|
| Ordinary shares of £1 each Authorised, allotted and fully paid | 500 === | 500 === |

SAC ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 30 JUNE 1990(continued)

11 RESERVES

| | Profit and Loss Account | Revaluation Reserve | Total |
|---------------------------------------|-------------------------------|------------------------|----------------|
| | ----- £'000 | ----- £'000 | ----- £'000 |
| Balance at 31st August 1989 | 39 | 895 | 934 |
| Loss for the period | (103) | - | (103) |
| Revaluation of Properties (Note 6) | - | 452 | 452 |
| | ----- | ----- | ----- |
| Balance at 30th June 1990 | (64) | 1347 | 1283 |
| | ===== | ===== | ===== |

12 CAPITAL COMMITMENTS

At 30th June 1990 there were capital commitments contracted but not provided for in the accounts of £1,442,000 (1989 £484,000).

Capital expenditure authorised but not committed amounted to £nil (1989 £nil)

13 CONTINGENT LIABILITIES

The Company has given an unlimited guarantee in respect of the bank overdrafts of other group companies which amounted to £nil at 30th June 1990 (1989: £2,042,696).

Under a group arrangement the company is jointly and severally liable for the value added tax payable by other group registered companies. At 30th June 1990 this contingent liability amounted to £913,023.

14 ULTIMATE HOLDING COMPANY

On 15th March 1990, SAC Estates Limited's former ultimate holding company, SAC International plc, was acquired by Ricardo Group plc. Ricardo Group plc, which is incorporated in the United Kingdom, is therefore the ultimate holding company as at 30th June 1990.