

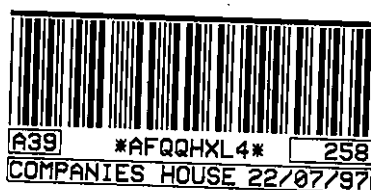
SEVERN HOUSE PROPERTIES LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 1996

Company Registration Number 2466909

COOPER-PARRY
Chartered Accountants
Nottingham



SEVERN HOUSE PROPERTIES LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

The Directors have pleasure in presenting their report and the financial statements of the company for the period from 1 September 1995 to 30 September 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the letting of residential accommodation on assured tenancies.

The company was acquired by Evenbrook Estates Limited on 22nd December 1995.

The Directors consider the trading result for the financial period together with the position as at the end of that period to be satisfactory.

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The Directors have recommended the following dividends:

	Period to 30 Sep 96	Year to 31 Aug 95
	£	£
Dividends paid on ordinary shares	<u>6,250</u>	<u>-</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The Directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £1.00 each	
		At 30 Sep 96	At 1 Sep 95 or later date of appointment
C.A. Butterfield FCA	(Appointed 22 Dec 95)	-	-
J.R. Coles FRICS	(Appointed 22 Dec 95)	-	-
D.L.J. Watts	(Retired 22 Dec 95)		1
M.C.E. Trevelyan	(Retired 22 Dec 95)		1
L.M. Mansfield	(Retired 22 Dec 95)		-
E.M. Sumpton	(Retired 22 Dec 95)		-
A.J. Hall	(From 22 Dec 95 to 22 Aug 96)		-
		<u> </u>	<u> </u>

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 at the end of the year and of the profit or loss for the year then ended.

SEVERN HOUSE PROPERTIES LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

In preparing those financial statements, the Directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The Directors must also prepare the financial statements 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 financial statements comply with the Companies Act 1985. The Directors 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

Hubbart, Durose & Pain merged their practice with Cooper-Parry, Prior and Palmer on 1 January 1997 and now practise in the name of Cooper-Parry. Accordingly they have signed their Audit Report in their new name. Cooper-Parry have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office:
P.O.Box 10
Keyworth
Nottinghamshire

Signed on behalf of the Directors



C.A. Butterfield FCA
Director

Approved by the Directors on 3 February 1997

SEVERN HOUSE PROPERTIES LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

We have audited the financial statements on pages 4 to 14 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 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described in the Directors' report, the Directors of the company 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 circumstances of the company, 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 affairs of the company as at 30 September 1996 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Cooper - Parry

COOPER-PARRY

NOTTINGHAM

Chartered Accountants

Registered Auditor

3 February 1997

SEVERN HOUSE PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

	Note	Period to 30 Sep 96 £	Year to 31 Aug 95 £
TURNOVER	2	95,882	83,993
OPERATING COSTS:			
Property costs		(22,271)	(22,121)
Staff costs	4	(1,334)	(4,000)
Depreciation written off fixed assets		(7,486)	(9,246)
Other operating charges		(24,444)	(37,765)
OPERATING PROFIT	3	40,347	10,861
Release of maintenance provision		17,240	-
		57,587	10,861
Interest receivable and similar income	6	1,367	3,802
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58,954	14,663
Tax on profit on ordinary activities	7	(1,947)	(11,450)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		57,007	3,213
Dividends	8	(6,250)	-
RETAINED PROFIT FOR THE FINANCIAL PERIOD		50,757	3,213

CONTINUING ACTIVITIES

All of the activities of the company are classed as continuing.

The notes on pages 7 to 14 form part of these financial statements.

SEVERN HOUSE PROPERTIES LIMITED

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Profit for the financial period attributable to the shareholders	57,007	3,213
Unrealised profit/(loss) on revaluation of properties	136,000	(25,000)
Total gains and losses recognised since the last annual report	<u>193,007</u>	<u>(21,787)</u>

The notes on pages 7 to 14 form part of these financial statements.


SEVERN HOUSE PROPERTIES LIMITED

BALANCE SHEET

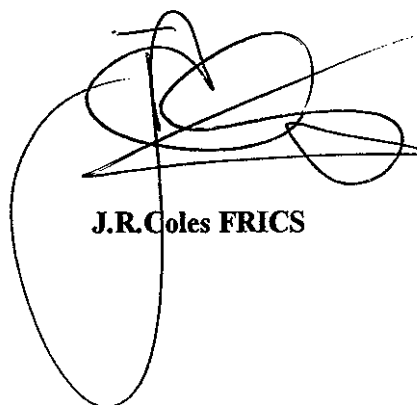
30 SEPTEMBER 1996

	Note	30 Sep 1996 £	£	31 Aug 1995 £	£
FIXED ASSETS					
Tangible assets	9		1,011,000		882,486
CURRENT ASSETS					
Debtors	10	116,374		9,067	
Cash at bank and in hand		2,059		60,289	
		<u>118,433</u>		<u>69,356</u>	
CREDITORS: Amounts falling due within one year	11	<u>(24,266)</u>		<u>(33,432)</u>	
NET CURRENT ASSETS			94,167		35,924
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,105,167</u>		<u>918,410</u>
CAPITAL AND RESERVES					
Equity share capital	14		1,200,410		1,200,410
Revaluation reserve	15		(221,272)		(357,272)
Profit and loss account	16		126,029		75,272
SHAREHOLDERS' FUNDS	17		<u>1,105,167</u>		<u>918,410</u>

These financial statements were approved by the Directors on the 3 February 1997 and are signed on their behalf by:



C.A. Butterfield FCA
Directors



J.R. Coles FRICS

The notes on pages 7 to 14 form part of these financial statements.

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cashflow statement.

Turnover

Turnover represents rents receivable which are credited when due.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	- 15% on cost
-----------------------	---------------

The rate of depreciation on fixtures and fittings has been changed from 20% to 15% on cost during the period, in order to align the rate with that of the group.

In accordance with Statement of Standard Accounting Practice No.19 'Accounting for investment properties', investment properties are not depreciated. This represents a departure from the Companies Act 1985 requirement to provide depreciation on fixed assets with a limited useful economic life, which, in the opinion of the Directors is necessary to present a true and fair view, as properties are held not for consumption, but for investment. If this departure had not been made the result for the period would have been decreased by an amount of depreciation, which, the Directors consider cannot reasonably be quantified.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

1. ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties have been professionally valued and are stated in the Balance Sheet at vacant possession open market valuation. Valuation adjustments are taken directly to revaluation reserve, except when individual properties are considered to be permanently impaired. In such instances deficits are taken directly to profit and loss account.

Maintenance provision

Until 22nd December 1995, it was the company's policy to provide for each property a sufficient amount per annum to cover maintenance costs that arose in order to bring the property back to its original state and condition. The provision was not charged until six months after acquisition of properties. The company has now modified its maintenance provision policy to that of its parent company, and accordingly, provision is no longer made for such costs. The accumulated provision of £17,240, which existed as at 22nd December 1995 has been released to profit and loss account, increasing the result for the year by that amount.

2. TURNOVER

Turnover is derived from the letting of properties owned by the Company in the United Kingdom.

3. OPERATING PROFIT

Operating profit is stated after charging:

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Depreciation	7,486	9,246
Auditors' remuneration: As auditors(incl.V.A.T.)	<u>2,000</u>	<u>1,175</u>

4. PARTICULARS OF EMPLOYEES

The aggregate payroll costs were:

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Wages and salaries	1,334	4,000
Social security costs	-	-
	<u>1,334</u>	<u>4,000</u>

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

5. DIRECTORS' EMOLUMENTS

The Directors' emoluments were:

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Remuneration as Directors	<u>1,334</u>	<u>4,000</u>

Emoluments excluding pension contributions:

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Chairman	-	-
Highest paid director	<u>667</u>	<u>2,000</u>

The number of Directors, including the above, whose emoluments, excluding pension contributions, fell within the following ranges, were:

	Period to 30 Sep 96 No.	Year to 31 Aug 95 No.
£0 to £5,000	<u>7</u>	<u>7</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Bank interest receivable	<u>1,367</u>	<u>3,802</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Corporation tax based on the results for the period at 29% (1995 - 25%)	3,600	11,450
Adjustment to provision in previous years	<u>(1,653)</u>	<u>-</u>
	<u>1,947</u>	<u>11,450</u>

The company has taken advantage of group relief from certain group companies in establishing its own charge to corporation taxation.

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

8. DIVIDENDS

The following dividends have been paid during the period:

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Dividends paid on ordinary shares	<u>6,250</u>	<u>-</u>

9. TANGIBLE FIXED ASSETS

	Freehold investment properties £	Fixtures and fittings £	Total £
COST OR VALUATION			
At 1 September 1995	875,000	46,229	921,229
Revaluation	<u>136,000</u>	<u>-</u>	<u>136,000</u>
At 30 September 1996	<u>1,011,000</u>	<u>46,229</u>	<u>1,057,229</u>
DEPRECIATION			
At 1 September 1995	-	38,743	38,743
Charge for the period	<u>-</u>	<u>7,486</u>	<u>7,486</u>
At 30 September 1996	<u>-</u>	<u>46,229</u>	<u>46,229</u>
NET BOOK VALUE			
At 30 September 1996	<u>1,011,000</u>	<u>-</u>	<u>1,011,000</u>
At 31 August 1995	<u>875,000</u>	<u>7,486</u>	<u>882,486</u>

Revaluation of fixed assets

The Balance Sheet carrying value of freehold investment properties reflects a vacant possession, open market valuation carried out by Savills, Walker Walton, Chartered Surveyors in July 1996.

In respect of assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	30 Sep 96 £	31 Aug 95 £
Professional valuation	1,011,000	875,000
Add: revaluation reserve deficit	<u>221,272</u>	<u>357,272</u>
Historical cost net book value at end of period	<u>1,232,272</u>	<u>1,232,272</u>
Historical cost	<u>1,232,272</u>	<u>1,232,272</u>

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

10. DEBTORS

	30 Sep 96 £	31 Aug 95 £
Rental arrears	867	7,567
Amounts owed by group undertakings	115,507	-
Prepayments and accrued income	-	1,500
	<u>116,374</u>	<u>9,067</u>

Amounts due from group undertakings are not repayable within one year from the Balance Sheet date.

11. CREDITORS: Amounts falling due within one year

	30 Sep 96 £	31 Aug 95 £
Trade creditors	1,105	-
Other creditors:		
Provision for maintenance	-	16,070
ACT payable	1,562	-
Corporation tax payable	11,626	11,241
Tenants' deposits	<u>6,906</u>	<u>-</u>
	20,094	27,311
Accruals and deferred income	<u>3,067</u>	<u>6,121</u>
	<u>24,266</u>	<u>33,432</u>

12. CONTINGENCIES

The company has provided third party legal charges over its properties as security against borrowings of certain other group companies, which at 30th September 1996 amounted to £15,385,320. The company has also provided guarantees in respect of the obligations of those companies to their providers of finance.

13. TRANSACTIONS WITH THE DIRECTORS

J.R.Coles has an interest in Ashgate Property Company, an unlimited company, which received total fees of £5,640 (including V.A.T.), for management and professional services provided during the period.

C.A.Butterfield is the principal of C.A.Butterfield & Co, Chartered Accountants, which received total fees of £5,641 (including V.A.T.) for professional services during the period.

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

14. SHARE CAPITAL

Authorised share capital:

	30 Sep 96 £	31 Aug 95 £
2,000,000 Ordinary shares of £1.00 each	<u>2,000,000</u>	<u>2,000,000</u>

Allotted, called up and fully paid:

	30 Sep 96 £	31 Aug 95 £
Ordinary share capital	<u>1,200,410</u>	<u>1,200,410</u>

15. REVALUATION RESERVE

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Balance brought forward	(357,272)	(332,272)
Revaluation of fixed assets	<u>136,000</u>	<u>(25,000)</u>
	<u>(221,272)</u>	<u>(357,272)</u>

As a result of the prior year adjustment referred to in note 17 , the opening revaluation reserve balance is established as follows :-

	£
At beginning of period as previously stated	(25,000)
Prior year adjustment	<u>(332,272)</u>
At beginning of period as restated	<u><u>(357,272)</u></u>

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

16. PROFIT AND LOSS ACCOUNT

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Balance brought forward	75,272	72,059
Retained profit for the financial period	50,757	3,213
Balance carried forward	<u>126,029</u>	<u>75,272</u>

As a result of the restatement referred to in note 17, the opening profit and loss account balance is established as follows :-

	£
At beginning of period as previously stated	(257,000)
Prior year adjustment	<u>332,272</u>
At beginning of period as restated	<u><u>75,272</u></u>

SEVERN HOUSE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 SEPTEMBER 1995 TO 30 SEPTEMBER 1996

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period to 30 Sep 96 £	Year to 31 Aug 95 £
Profit for the financial period	57,007	3,213
Dividends	(6,250)	-
	<u>50,757</u>	<u>3,213</u>
Other net recognised gains and losses	136,000	(25,000)
	<u>186,757</u>	<u>(21,787)</u>
Net addition/(reduction) to funds	918,410	940,197
Opening shareholders' equity funds	<u>1,105,167</u>	<u>918,410</u>
Closing shareholders' equity funds		

Prior year adjustment

Statement of Standard Accounting Practice No.19 'Accounting for investment properties' (as revised in July 1994), requires that changes in investment property valuations are taken to a revaluation reserve, except in circumstances where individual property values are considered to be permanently impaired. Prior to the revision of that accounting standard, accounting practice required that deficits arising on revaluation were charged to profit and loss account to the extent that deficits exceeded any credit balance on revaluation reserve. Valuation adjustments made in prior years have been restated during the accounting period in order to reflect the accounting treatment required by SSAP19, as revised. The adjustment results in the opening revaluation reserve being reduced by £332,272 and the opening profit and loss reserve being increased by the same amount. There has, therefore, been no effect on aggregate shareholders' funds as a result of the restatement.

18. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Evenbrook Estates Limited, which is registered in England and Wales. The Directors regard Evenbrook Group Limited, also registered in England and Wales as the ultimate parent company.

Copies of group financial statements may be obtained on application to:-

P.O.Box 10
Keyworth
Nottinghamshire
NG12 5NZ.