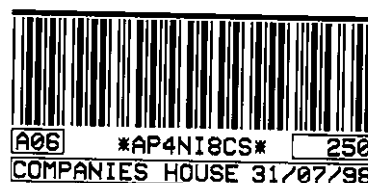


Company Registration No: 2809523

D S ESTATES (LANCASTER) LIMITED

Report and Financial Statements

31 December 1997



D S ESTATES (LANCASTER) LIMITED

REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

M H Marx
N S Corderey
Development Securities Estates PLC

SECRETARY

S A Lanes FCA

REGISTERED OFFICE

Portland House
Stag Place
London SW1E 5DS

DIRECTORS' REPORT

The directors present their annual report and financial statement for the year ended 31 December 1997.

PRINCIPAL ACTIVITY AND REVIEW OF DEVELOPMENTS

The principal activity of the company at present and for the foreseeable future is that of property investment. The company did not trade during the year.

RESULTS AND DIVIDENDS

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

DIRECTORS AND DIRECTORS' INTERESTS

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

M H Marx
A E Bodie (resigned 21 May 1997)
N S Corderey (appointed 21 May 1997)
Development Securities Estates PLC (appointed 21 May 1997)

None of the directors had any interests in the shares of the company nor any other Group company during the year except as noted below.

The interests of M H Marx in the 50p ordinary shares of Development Securities PLC, the ultimate parent company, and the options granted to him under that company's share option scheme are disclosed in the 1997 Report and Financial Statements of that company. N S Corderey is entitled to the following options granted by Development Securities PLC:

<i>Date of Grant</i>	<i>Number</i>	<i>Exercise Date</i>	<i>Exercise Price</i>
7 April 1994	10,000 (1)	7 April 1997 to 6 April 2004	322.5p
23 June 1995	3,959 (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
6 May 1997	3,520 (2)	1 June 2002 to 30 November 2002	196.0p
19 May 1997	15,000 (3)	19 May 2000 to 18 May 2007	250.0p
21 May 1998	15,000 (3)	21 May 2001 to 20 May 2008	328.5p

- (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.

PAYMENT POLICY

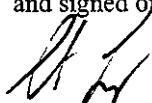
Amounts due to suppliers are settled promptly within their terms of payment, except in cases of dispute.

DIRECTORS' REPORT (continued)

AUDITORS

The company has been dormant throughout the financial year and has passed a resolution under S250 Companies Act 1985 not to appoint auditors.

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



S A Lanes
Secretary

27th July 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 the 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.

D S ESTATES (LANCASTER) LIMITED

BALANCE SHEET 31 December 1997

	Note	1997 £	1996 £
CURRENT ASSETS			
Debtors	3	605,180	605,180
CREDITORS: amounts falling due within one year	4	<u>(366,337)</u>	<u>(366,337)</u>
NET ASSETS		<u>£238,843</u>	<u>£238,843</u>
CAPITAL AND RESERVES			
Called up share capital	5	100	100
Profit and loss account		<u>238,743</u>	<u>238,743</u>
SHAREHOLDERS' FUNDS		<u>£238,843</u>	<u>£238,843</u>
REPRESENTED BY:			
EQUITY SHAREHOLDERS' FUNDS		238,747	238,747
NON-EQUITY SHAREHOLDERS' FUNDS		<u>96</u>	<u>96</u>
SHAREHOLDERS' FUNDS		<u>£238,843</u>	<u>£238,843</u>

The company has been dormant throughout the current and preceding financial year.

These financial statements were approved by the Board of Directors on 27th July 1998.

Signed on behalf of the Board of Directors


M H Marx
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1 ACCOUNTING POLICY

Basis of accounting

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

2 OPERATING RESULT

The company did not trade during the financial year and made neither a profit nor a loss. There are no recognised gains or losses or movements in shareholders' funds for the current or preceding financial year except as stated in the profit and loss account.

None of the directors received any emoluments from the company during the year (1996: £nil).

The company does not have any employees (1996: nil).

The company has been dormant throughout the financial year and has passed a resolution under S250 Companies Act 1985 not to appoint auditors.

3 DEBTORS

	1997	1996
Amounts due from parent company	<u>£605,180</u>	<u>£605,180</u>

4 CREDITORS: amounts falling due within one year

	1997	1996
Amounts due to group undertaking	<u>£366,337</u>	<u>£366,337</u>

5 CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted and fully paid:		
2 Ordinary shares of £1 each	2	2
2 'A' Ordinary shares of £1 each	2	2
96 Participating Preference shares of £1 each	<u>96</u>	<u>96</u>
	<u>£100</u>	<u>£100</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1997

Preference shareholders are entitled to receipt of a non-cumulative fixed dividend of 10% in priority to the receipt of dividends to any other class of share. Subject thereto, any profit not exceeding £3,000,000 is to be distributed pro-rata to the holders of Preference shares and Ordinary shares. Profits in excess of £3,000,000 shall be distributed as to 99% to the holders of the Ordinary shares and 1% amongst the holders of "A" Ordinary shares.

Upon winding up, Preference shareholders are to have priority in terms of receipt of the amount of the paid-up capital. Any excess up to £3,000,000 is also to form the entitlement, pro-rata, of the Preference shareholders. Any further surplus shall be awarded to the Ordinary shareholders. The "A" Ordinary shareholders are not entitled to participate in any distribution of capital on winding up.

Preference shareholders have no right to attend or to vote at General Meetings. Ordinary shareholders and "A" Ordinary shareholders have the right to one vote per Ordinary share held.

6 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 the company from the requirement to prepare a cash flow statement.

7 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.

8 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.

9 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.