MATRIX HERITAGE (NO.38) LIMITED

Directors' Report & Financial Statements

For the year ended 30th April 2004

Company Number: 3543819

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DIRECTORS AND ADVISERS

DIRECTORS	David John George Royds Christopher John Howe
SECRETARY	Matrix Registrars
REGISTERED OFFICE	One Jermyn Street London SW1Y 4UH
SOLICITORS	Beachcroft Wansbroughs 20 Furnival Street London EC4A 1BN

DIRECTORS' REPORT

For the year to 30th April 2004

The directors present their report and the unaudited financial statements for the year ended 30th April 2004.

PRINCIPAL ACTIVITY

The Company's principal activity is that of property development.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The Company, under the terms of various partnership deeds, is a partner in Matrix Heritage No.2 Partnership, Matrix Heritage No.3 Partnership, Matrix Heritage No.5 Partnership and Matrix Heritage No.6/7 Partnership, which have engaged in the development of various properties. Any profits realised in these partnerships will be distributed to the companies that are partners in the partnerships in proportion to the amounts of the contribution made by each partner to the partnerships' capital.

DIRECTORS

The Directors of the Company, and their interests in the shares of the Company during the year ending 30th April 2004, were as follows:

	Ordinary shares of £1 each	
	30th April 2004	30th April 2003
DJG Royds	-	-
CJ Howe	-	-

AUDITORS

In the preparation of the Company's financial statements advantage has been taken of the audit exemptions available to small companies conferred by section 249A(1) of the Companies Act 1985.

DIRECTORS' RESPONSIBILITIES

The Directors are required by the UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th April 2004. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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.

Small Company Exemption
The Directors Report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Directors on 27th May 2005

C Blakemore
for MATRIX REGISTRARS LTD
Company Secretary

PROFIT AND LOSS ACCOUNT

For the year ended 30th April 2004

	Year ended 30th April 2004	Year ended 30th April 2003
	£	£
Turnover	**44,500**	**149,156**
Cost of Sales	**(53,340)**	**(150,974)**
Gross profit/(loss)	**(11,840)**	**(1,818)**
Administration expenses	**(4,895)**	**(4,672)**
Fees on account to Matrix Securities	**-**	**-**
Fees on account to Heritage Developments	**-**	**-**
Net Profit/(loss)	**(16,734)**	**(6,491)**
Interest receivable	**702**	**1,556**
Interest payable	**(34)**	**(8)**
Profit/(Loss) on ordinary activities before tax	**(16,066)**	**(4,942)**
Tax charge on ordinary activities	**-**	**-**
Profit/(Loss) on ordinary activities after tax	**(16,066)**	**(4,942)**

All of the Company's operations are continuing.

The Company has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 7 to 9 form part of these financial statements.

BALANCE SHEET

As at 30th April 2004

	Notes	30th April 2004 £	30th April 2003 £
Current assets:			
Work in progress	4	657,040	484,006
Debtors : amounts falling due within one year	5	139,519	122,070
Cash at bank and in hand		36,609	44,059
		833,169	650,136
Current liabilities			
Creditors: amounts falling due within one year	6	(543,991)	(344,892)
Net liabilities		289,178	305,244
Capital and Reserves:			
Called up share capital	7	250,000	250,000
Profit and loss account		39,178	55,244
Equity Shareholders' Funds	8	289,178	305,244

The notes on pages 7 to 9 form part of these financial statements.

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

Advantage has been taken of the audit exemptions available for small companies conferred by section 249A(1) of the Companies Act 1985 on the grounds:

(a) that for the year ended 30th April 2004 the Company was entitled to the exemption from a statutory audit under section 249A(1) of the Companies Act 1985; and

(b) that no notice has been deposited under section 249B(2) of the Companies Act 1985 in relation to the financial statements for the year.

The directors acknowledge their responsibilities for:

(a) ensuring that the Company keeps proper accounting records which comply with section 221 of the Companies Act 1985; and

(b) preparing financial statements which give a true and fair view of the state of the affairs of the company at 30th April 2004 and of its loss for the year then ended and are in accordance with the requirement of section 226 of the Companies Act 1985, and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements so far as applicable to the Company.

These financial statements were approved by the Board of Directors on 27th May 2005 and were signed on their behalf by:

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th April 2004.

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below:

a) **Basis of accounting**

The financial statements have been prepared in accordance with the historical cost convention and are in accordance with the Financial Reporting Standards for Smaller Entities.

The company is a partner in three joint venture entities to develop various properties. Therefore the company's interest in the partnerships is accounted for in these financial statements under FRS 9 "Associates and Joint Ventures".

b) **Investment in partnerships**

The company's share of losses of the partnerships is included in the consolidated profit and loss account and the company's share of the net assets of the partnerships is included in the consolidated balance sheet.

c) **Cash flow statement**

The Company qualifies as a small company under the terms of section 247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

d) **Taxation**

Taxation has been charged at the rate of 20%.

2. EMPLOYEE INFORMATION

The average weekly number of persons employed by the Company in administrative roles during the year was 2. No salaries were paid during the year.

3. PARTICIPATION IN PARTNERSHIPS

The Company's results are derived from its participation in four partnerships, Matrix Heritage No.2 Partnership, Matrix Heritage No.3 Partnership, Matrix Heritage No.5 Partnership and Matrix Heritage No.6/7 Partnership . The Company has a 7.84% share in Matrix Heritage No.2 Partnership, a 7.62% share in Matrix Heritage No.3 Partnership, an 11.88% share in Matrix Heritage No.5 Partnership and an 8.23% share in Matrix Heritage No.6/7 Partnership .

4. WORK IN PROGRESS

	2004	2003
	£	£
Work in progress	**203,712**	**30,678**
Purchase of property	**292,993**	**292,993**
Professional fees and other costs	**160,335**	**160,335**
	657,040	**484,006**

5. DEBTORS

	2004	2003
	£	£
VAT	**3,477**	**135**
Retention	**-**	**-**
Other debtors	**136,042**	121,936
	139,519	**122,070**

6. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Trade creditors	**12,647**	**22,786**
Bank loan	**-**	**-**
Bank overdraft	**418,991**	**186,538**
Other creditors	**109,224**	**134,237**
Accruals	**2,115**	**1,331**
Matrix Securities Ltd	**1,013**	-
	543,991	344,892

7. SHARE CAPITAL

	2004	2003
	£	£
Authorised		
1,500,000 Ordinary Shares of £1 each	**1,500,000**	1,500,000
Called up, allotted and fully paid		
250,000 Ordinary Shares of £1 each	**250,000**	250,000

8. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Opening balance of shareholders funds	**305,244**	**308,844**
Correction from 2003	**-**	**1,342**
Profit/(Loss) for the year	**(16,066)**	**(4,942)**
Closing funds	**289,178**	**305,244**

9. COMMITMENTS

The Company is committed to the partnerships until the following dates:

Matrix Heritage No.2 Partnership	31st July 2002
Matrix Heritage No.3 Partnership	31st July 2002
Matrix Heritage No.5 Partnership	18th March 2004
Matrix Heritage No.6/7 Partnership	30th November 2004

Thereafter the Company will be committed until the partners shall unanimously determine.

10. PARTNERSHIP ACCOUNTS

The Company, under the terms of various partnership deeds, has entered into partnership with Matrix Heritage No.2 Partnership, Matrix Heritage No.3 Partnership, Matrix Heritage No.5 Partnership and Matrix Heritage No.6/7 Partnership, which have engaged in the development of various properties. Any profits realised in the partnerships will be distributed to the companies that are partners in the partnerships in proportion to the amounts of the contribution made by each partner to the partnerships' capital.

The accounts of the partnership are appended to these accounts in compliance with the Partnership and Unlimited Companies (Accounts) Regulations 1993.

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th APRIL 2004

	2004	2003
	£	£
Income		
Sales	44,500	149,156
Less: Cost of sales	(56,340)	(150,974)
Selling expenses	-	-
Gross profit/(loss)	(11,840)	(1,818)
Interest received	702	1,556
	(11,138)	(262)
Expenditure		
Administration fees	(4,895)	(4,672)
Insurance	-	-
Professional fees	-	-
Prior Year adjustment	-	-
Bank interest and charges	(34)	(8)
Fees on account to Heritage Developments	-	-
Fees on account to Matrix Securities	-	-
	(16,066)	(4,942)

This page does not form part of the statutory accounts.