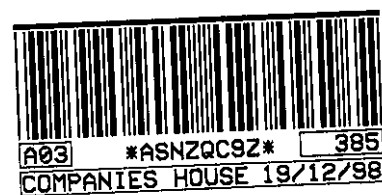


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REDWOOD PROPERTY AND TRADING COMPANY LIMITED

REPORT AND GROUP ACCOUNTS

YEAR ENDED 30TH JUNE 1998



REDWOOD PROPERTY AND TRADING COMPANY LIMITED

**GROUP FINANCIAL ACCOUNTS
YEAR ENDED 30TH JUNE 1998**

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4	Group Profit and Loss Account
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The following pages do not form part of the statutory accounts.

15 - 16	Management Profit and Loss Account
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REDWOOD PROPERTY AND TRADING COMPANY LIMITED
REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 30th June 1998.

PRINCIPAL ACTIVITY

The company continues to trade in the development and conversion of freehold and leasehold properties for sale, and investment in commercial properties.

REVIEW OF THE BUSINESS

The company has continued to benefit from the strong rise in London residential prices, which now have stabilised. The rise in profits reflect this and the increase in sales brought about largely by the completion of the Redwood Mews development.

We continue to look for residential developments but have bought none for eighteen months as prices have risen beyond what we feel are justified. Our outstanding development work is commercial.

The company is actively engaged in reducing longer term borrowings and this should improve our profits for next year as will the continuing growth in our investment portfolio. These will partly offset the reduction in development sales.

RESULTS AND DIVIDEND

The retained profit of the company for the year £114,260 (group £178,142). Dividends were paid in the year totalling £52,710 (£325.33 per share).

The directors recommend that this be added to the retained earnings at the beginning of the period and that the balance of £331,323 be carried forward.

DIRECTORS

The directors who served during the year, and the beneficial and family interests of those serving at the end of the year, in the shares of the company were as follows:-

	Ordinary shares	
	1998 £1 each	1997 £1 each
S E Stubbs	45	45
T D W Glass	45	45

FIXED ASSETS

Details of fixed assets and the changes which have taken place during the year are set out on page 9. (Company, page 10).

AUDITORS

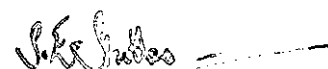
The auditor, P B Hourigan & Co, Certified Accountants, will be proposed for re appointment at the next appropriate general meeting.

Registered Office:

765 Wandsworth Road
LONDON
SW8 3JG

5th November 1998

By order of the Board



S E Stubbs

Secretary

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITY

We are required under Company Law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

5th November 1998

By order of the Board



S E Stubbs
Secretary

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

AUDITORS' REPORT

Auditors' report to the members of Redwood Property and Trading Company Limited

We have audited the group financial statements on pages 4 - 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 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

However, the evidence available to us was limited because the company's investment properties have not been valued by an external valuer within five years as provided by the company's accounting policy. There were no other satisfactory audit procedures that we could adopt to confirm the directors' valuations..

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had an external valuation been performed, in our opinion, the group accounts give a true and fair view of the state of the company's affairs as at 30th June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to small companies.

5th November 1998


P B HOURIGAN (F.C.C.A.)
(Registered Auditor)

Garrards
Cowfold Road
WEST GRINSTEAD
Sussex RH13 8LY

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Group Profit and loss accounts for the year ended 30th June 1998

	Note	1998		1997	
		£	£	£	£
TURNOVER	3		2,487,238		2,293,557
Cost of sales			(1,822,735)		(1,796,601)
GROSS PROFIT			664,503		496,956
Administrative expenses			(239,143)		(91,954)
			425,360		405,002
Rental income			127,121		75,249
OPERATING PROFIT	3		552,481		480,351
Interest payable	7	(248,515)		(184,076)	
Interest received		7,092		10,181	
			(241,423)		(173,895)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION 4			311,058		306,456
Tax on ordinary activities	6		(84,116)		(79,472)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			226,942		226,984
Dividends			(48,800)		(49,920)
RETAINED PROFIT FOR YEAR			<u>£178,142</u>		<u>£177,064</u>
STATEMENT OF RETAINED PROFITS					
Retained profits brought forward			328,850		151,786
Retained profit for year			178,142		177,064
RETAINED PROFITS CARRIED FORWARD			<u>£506,992</u>		<u>£328,850</u>

None of the company's activities were acquired or discontinued during the above two financial years.


REDWOOD PROPERTY AND TRADING COMPANY LIMITED

**Group statement of recognised gains and losses
year ended 30th June 1998**

	1998 £	1997 £
Group profit for financial year	178,142	177,064
Unrealised surplus on revaluation of properties	405,636	432,592
Total recognised gains and losses	<u>£583,778</u>	<u>£609,656</u>

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Group balance sheet - 30th June 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	2		3,399,598		2,950,464
Investments			7,140		-
			<u>3,406,738</u>		<u>2,950,464</u>
CURRENT ASSETS					
Stocks and work in progress	8	313,101		701,005	
Debtors	9	371,663		56,595	
Bank and cash		30,102		43,588	
		<u>£714,866</u>		<u>£801,188</u>	
CREDITORS: amounts falling due within one year					
Bank overdraft		741,206		835,350	
Other creditors	10	273,067		194,022	
		<u>£1,014,273</u>		<u>£1,029,372</u>	
NET CURRENT (LIABILITIES)			(299,407)		(228,184)
Total assets less current liabilities			<u>3,107,331</u>		<u>2,722,280</u>
CREDITORS amounts falling due after more than one year	11		(1,402,638)		(1,614,440)
			<u>£1,704,693</u>		<u>£1,107,840</u>
Financed by:					
CAPITAL AND RESERVES					
Called up share capital	12		150		150
Revaluation reserve	13		1,179,833		774,197
Profit and loss account			<u>524,710</u>		<u>333,493</u>
			<u>1,704,693</u>		<u>1,107,840</u>
S E STUBBS  + T D W GLASS] DIRECTORS					
Approved by the board on 5th November 1998					
CLOSING SHAREHOLDERS FUNDS	16		<u>£1,704,693</u>		<u>£1,107,840</u>

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Balance sheet - 30th June 1998

	Note	1998		1997	
		£	£	£	£
FIXED ASSETS					
Tangible assets	2		3,096,803		2,823,000
Investments	16		16,522		9,382
			<u>3,113,325</u>		<u>2,832,382</u>
CURRENT ASSETS					
Stocks and work in progress	9	351,966		713,468	
Debtors	10	365,692		54,988	
Bank and cash		25,307		21,341	
		<u>742,965</u>		<u>789,797</u>	
CREDITORS: amounts falling due within one year					
Bank overdraft		741,206		835,350	
Other creditors	11	259,329		242,001	
		<u>1,000,535</u>		<u>1,077,351</u>	
NET CURRENT (LIABILITIES)			(257,570)		(287,554)
Total assets less current liabilities			<u>2,855,755</u>		<u>2,544,828</u>
CREDITORS amounts falling due after more than one year	12		(1,340,221)		(1,549,190)
			<u>£1,515,534</u>		<u>£995,638</u>
Financed by:					
CAPITAL AND RESERVES					
Called up share capital	13		150		150
Revaluation reserve	14		1,141,992		736,356
Profit and loss account			<u>373,392</u>		<u>259,132</u>
			<u>1,515,534</u>		<u>995,638</u>
S E STUBBS					
T D W GLASS					
Approved by the board on 5th November 1998					
			<u>£1,515,534</u>		<u>£995,638</u>

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Notes to the group accounts - year ended 30th June 1998

1. ACCOUNTING POLICIES

a) CONVENTION

The accounts have been prepared under the historical cost convention, (as modified by the revaluation of certain fixed assets). The principal accounting policies which the directors have adopted within that convention are set out below.

b) TURNOVER

Turnover is the amount derived from the sales of conversion properties, net of selling expenses, together with rental income from investment properties falling within the company's ordinary activities, and other property services.

An analysis of turnover between each class of business and each geographical market is omitted.

None of the company's activities were acquired or discontinued during the year.

c) TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Motor vehicles	- 25% written down value
Fixtures and fittings	- 20% straight line

No depreciation is provided on freehold and leasehold properties as it is the group's policy to maintain these so as to extend their useful lives. It is the company's policy to undertake an independent valuation of its properties every five years. However, the directors do conduct annual revaluation reviews which are reflected in the accounts as shown on Note (2).

d) STOCK

Stocks and work in progress are stated at the lower of cost and estimated net realisable value.

Work in progress is valued to include directly attributable building and development expenditure at cost but not including interest on financing monies.

d) DEFERRED TAXATION

Provision is made at appropriate rates for taxation deferred in respect of all material timing differences only to the extent that, in the opinion of the directors, there is reasonable probability that a liability or asset will crystallise in the foreseeable future.

e) CASH FLOW STATEMENT

The company has taken advantage of the exemption from preparing a cash flow statement, conferred by Financial Reporting Standard No.1, on the grounds that it is entitled to the exemptions available in section 246 to 247 of the Companies Act 1985 for small companies.

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Notes to the Group accounts - year ended 30th June 1998

2. TANGIBLE ASSETS (GROUP)

	Freehold Investment Properties £	Long Leasehold Investment Properties £	Motor Vehicles £	Fixtures & Fittings £	TOTAL £
COST/REVALUATION					
30th June 1997	2,792,000	155,000	-	9,220	2,956,220
Additions	78,291	176,109	6,905	2,140	263,445
Disposals	(216,927)	-	-	-	(216,927)
Revaluation reserve	470,636	(65,000)	-	-	405,636
30th June 1998	<u>3,124,000</u>	<u>266,109</u>	<u>6,905</u>	<u>11,360</u>	<u>3,408,374</u>
DEPRECIATION					
30th June 1997	-	-	-	5,756	5,756
Charge for year	-	-	1,726	1,294	3,020
30th June 1998	<u>-</u>	<u>-</u>	<u>1,726</u>	<u>7,050</u>	<u>8,776</u>
NET BOOK VALUE					
30th June 1998	<u>£3,124,000</u>	<u>£266,109</u>	<u>£5,179</u>	<u>£4,310</u>	<u>£3,399,598</u>
30th June 1997	<u>£2,792,000</u>	<u>£155,000</u>	<u>£ -</u>	<u>£3,364</u>	<u>£2,950,464</u>

The company's investment properties have been stated at market value as determined by the directors, S E Stubbs and T.D.W. Glass, ARICS, MSc.

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Notes to the accounts - Year ended 30th June 1998

2. TANGIBLE ASSETS (company)

	Freehold Investment Properties £	Long Leasehold Investment Properties £	Motor Vehicles £	Fixtures & Fittings £	TOTAL £
COST/REVALUATION					
30th June 1997	2,668,000	155,000	-	2,515	2,825,515
Additions	78,291	-	6,905	2,030	87,226
Disposals	(216,927)	-	-	-	(216,927)
Revaluation reserve	470,636	(65,000)	-	-	405,636
30th June 1998	<u>3,000,000</u>	<u>90,000</u>	<u>6,905</u>	<u>4,545</u>	<u>3,101,450</u>
DEPRECIATION					
30th June 1997	-	-	-	2,515	2,515
Charge for year	-	-	1,726	406	2,132
30th June 1998	<u>-</u>	<u>-</u>	<u>1,726</u>	<u>2,921</u>	<u>4,647</u>
NET BOOK VALUE					
30th June 1998	<u>£3,000,000</u>	<u>£90,000</u>	<u>£5,179</u>	<u>£1,624</u>	<u>£3,096,803</u>
30th June 1997	<u>£2,668,000</u>	<u>£155,000</u>	<u>£-</u>	<u>£-</u>	<u>£2,823,000</u>

The company's investment properties have been stated at market value as determined by the directors, SE Stubbs and T.D.W. Glass ARICS, MSc.

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Notes to the Group accounts - year ended 30th June 1998

3. GROUP TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Turnover		Profit Before taxation	
	1998	1997	1998	1997
	£	£	£	£
Analysis by activity:				
Sales of properties/conversion	2,469,506	2,289,291	646,771	492,790
Other sales	17,732	4,266	17,732	4,266
	<u>2,487,238</u>	<u>2,293,557</u>	<u>664,503</u>	<u>497,056</u>
Interest payable (net)			(241,423)	(173,895)
Operating expenses			(239,143)	(91,954)
Rental income (net)			127,121	75,249
			<u>£311,058</u>	<u>£306,456</u>

4. PROFIT ON ORDINARY ACTIVITIES

is arrived at after charging:

	1998	1997
Directors' remuneration	6,460	6,300
Directors' pension contributions	3,205	3,204
Auditors' remuneration	7,148	4,995
Depreciation	3,020	1,340
	<u>19,833</u>	<u>15,849</u>

5. STAFF COSTS

Wages and salaries	39,450	6,300
Social Security costs	3,309	190
Pension costs	3,205	3,204
	<u>£45,964</u>	<u>£9,694</u>

The average number employed by the company, which includes directors, within each category of persons was:

	No	No
Group		
Office and management	4	2
Company		
Office and management	4	2

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Notes to the Group accounts - year ended 30th June 1998

	1998	1997		
	£	£		
6. TAX ON ORDINARY ACTIVITIES				
Based on results for year:				
- Corporation tax	84,116	79,621		
- under provision for previous year	-	(149)		
	<u>£84,116</u>	<u>£79,472</u>		
7. INTEREST PAYABLE				
Interest on bank loans and overdrafts wholly repayable within five years, as follows. The company's bank overdrafts are secured on certain freehold investment properties and by way of a floating charge.				
Bank interest	112,381	67,030		
Other loans and accruals	55,332	49,247		
Overdue taxation	40	211		
	<u>£167,753</u>	<u>£116,488</u>		
Interest in respect of loans in excess of 5 years:				
Bank mortgage interest	34,762	43,591		
Building society interest (secured on relevant property)	46,000	23,997		
	<u>£80,762</u>	<u>£67,588</u>		
8. STOCKS				
Development costs and work in progress	313,101	701,005		
	<u>£313,101</u>	<u>£701,005</u>		
9. DEBTORS				
	1998	1997		
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	253,664	253,664	41,854	41,854
Other debtors	114,512	108,541	11,319	11,319
Prepayments	3,487	3,487	3,422	1,815
	<u>£371,663</u>	<u>£365,692</u>	<u>£55,595</u>	<u>£54,988</u>

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Notes to the Group accounts - year ended 30th June 1998

10. CREDITORS: amounts falling due within one year.

	1998		1997	
	Group £	Company £	Group £	Company £
Trade creditors	66,118	65,855	23,410	97,943
Corporation tax	71,915	44,627	67,141	43,529
Other creditors	46,630	41,990	46,743	45,042
Other taxes and social security	14,143	14,143	3,926	3,926
Accruals and deferred income	66,830	65,307	39,520	38,123
Directors' loans	7,431	7,045	11,297	10,911
Amounts due to subsidiary	-	20,362	-	542
Unsecured loans	-	-	1,985	1,985
	<u>£273,067</u>	<u>£259,329</u>	<u>£194,022</u>	<u>£242,001</u>

11. CREDITORS: amounts falling due after more than one year

Secured mortgage	902,638	840,221	1,519,440	1,454,190
Other secured loans	500,000	500,000	95,000	95,000
	<u>£1,402,638</u>	<u>£1,340,221</u>	<u>£1,614,440</u>	<u>£1,549,190</u>

12. SHARE CAPITAL

	1998	1997
Authorised 10,000 ordinary shares of £1 each	<u>£10,000</u>	<u>£10,000</u>
Allotted, issued and fully paid 150 ordinary shares of £1 each	<u>£150</u>	<u>£150</u>

13. REVALUATION RESERVE

	£
Balance brought forward 30th June 1997	774,197
Add surplus for year (note 2)	405,636
Balance 30th June 1998	<u>£1,179,833</u>

The companies' investment properties have been stated at market value as determined by the directors.

REDWOOD PROPERTY AND TRADING COMPANY LIMITED

Notes to the Group accounts - year ended 30th June 1998

14. PROFIT AND LOSS ACCOUNT

	1998		1997	
	Group £	Company £	Group £	Company £
30th June 1997	333,493	259,132	156,429	149,294
Profit for year	178,142	114,260	177,064	109,838
Unrealised profit on consolidation	13,075	-	-	-
30th June 1998	<u>£524,710</u>	<u>£373,392</u>	<u>£333,493</u>	<u>£259,132</u>

15. INVESTMENTS HELD AS FIXED ASSET

	1998 £	1997 £
7140 £1 ordinary shares in unlisted company	<u>£7,140</u>	<u>£ -</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Profit for financial year	226,942	226,984
Dividends	(48,800)	(49,920)
	<u>178,142</u>	<u>177,064</u>
Revaluation surplus	405,636	432,592
Unrealised profit on stock consolidation	13,075	-
	<u>596,853</u>	<u>609,656</u>
Opening shareholders' funds	1,107,840	498,184
CLOSING SHAREHOLDERS' FUNDS	<u>£1,704,693</u>	<u>£1,107,840</u>