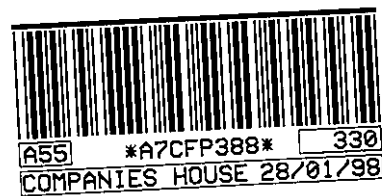


996839

HIGH LARCHES LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997



INDEX TO THE FINANCIAL STATEMENTS
For The Year Ended 31 March 1997

| | Page |
|--|-------------|
| Company Information | 1 |
| Report of the Directors | 2 |
| Report of the Auditors | 3 |
| Profit and Loss Account | 4 |
| Balance Sheet | 5 |
| Notes to the Financial Statements | 6 |
| Trading and Profit and Loss Account | 11 |

HIGH LARCHES LIMITED

COMPANY INFORMATION
For The Year Ended 31 March 1997

DIRECTORS:

P Rouse
Mrs C E Krafft
R C Krafft
S Rouse

SECRETARY:

Mrs C E Krafft

REGISTERED OFFICE:

High Larches Farm
Shire Lane
Farnborough
Kent
BR6 7HH

REGISTERED NUMBER:

996839 (England and Wales)

AUDITORS:

James & Cowper
Registered Auditor and
Chartered Accountants
Phoenix House
Bartholomew Street
Newbury
Berkshire RG14 5QA

HIGH LARCHES LIMITED

REPORT OF THE DIRECTORS For The Year Ended 31 March 1997

The directors present their report with the financial statements of the company for the year ended 31 March 1997.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of Boarding Kennels and the letting of Furnished Property.

DIRECTORS

The directors during the year under review were:

P Rouse
Mrs C E Krafft
R C Krafft
S Rouse

The beneficial interests of the directors holding office on 31 March 1997 in the issued share capital of the company were as follows:

| | 31.3.97 | 1.4.96 |
|---------------------------|---------|--------|
| Ordinary £1 shares | | |
| P Rouse | 10 | 10 |
| Mrs C E Krafft | 5 | 5 |
| R C Krafft | 5 | 3 |
| S Rouse | 5 | - |

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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

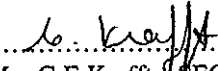
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, James & Cowper, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:


.....
Mrs C E Krafft SECRETARY

Dated: 16.1.98

HIGH LARCHES LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF HIGH LARCHES LIMITED

We have audited the financial statements on pages four to ten which have been prepared under the historical cost convention and the accounting policies set out on page six.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of 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

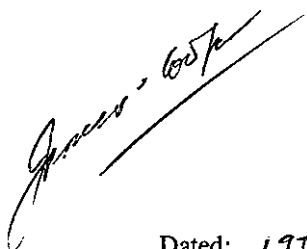
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 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 the company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

James & Cowper
Registered Auditor and
Chartered Accountants
Phoenix House
Bartholomew Street
Newbury
Berkshire RG14 5QA



Dated: 19TH JANUARY 1998

HIGH LARCHES LIMITED

PROFIT AND LOSS ACCOUNT For The Year Ended 31 March 1997

| | | 1997 | 1996 |
|---|-------|---------|---------|
| | Notes | £ | £ |
| TURNOVER | 2 | 232,197 | 199,342 |
| Cost of sales | | 81,630 | 76,341 |
| GROSS PROFIT | | 150,567 | 123,001 |
| Administrative expenses | | 129,912 | 130,671 |
| OPERATING PROFIT/(LOSS) | 3 | 20,655 | (7,670) |
| Interest receivable and similar income | 4 | 228 | - |
| | | 20,883 | (7,670) |
| Interest payable and similar charges | | 1,005 | 1,324 |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 19,878 | (8,994) |
| Tax on profit/(loss) on ordinary activities | 5 | 6,013 | (148) |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION | | 13,865 | (8,846) |
| Retained profit brought forward | | 32,792 | 41,638 |
| RETAINED PROFIT CARRIED FORWARD | | £46,657 | £32,792 |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

HIGH LARCHES LIMITED

BALANCE SHEET 31 March 1997

| | | 1997 | | 1996 | |
|--|-------|---------------|----------------|---------------|----------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS: | | | | | |
| Intangible assets | 6 | | 15,800 | | 17,775 |
| Tangible assets | 7 | | 35,570 | | 27,443 |
| | | | <u>51,370</u> | | <u>45,218</u> |
| CURRENT ASSETS: | | | | | |
| Debtors | 8 | 8,413 | | 8,501 | |
| Cash at bank and in hand | | 14,113 | | 10,077 | |
| | | <u>22,526</u> | | <u>18,578</u> | |
| CREDITORS: Amounts falling due within one year | 9 | 27,139 | | 22,262 | |
| NET CURRENT LIABILITIES: | | | | | |
| | | | <u>(4,613)</u> | | <u>(3,684)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES: | | | | | |
| | | | 46,757 | | 41,534 |
| CREDITORS: Amounts falling due after more than one year | 10 | | - | | 8,642 |
| | | | <u>£46,757</u> | | <u>£32,892</u> |
| CAPITAL AND RESERVES: | | | | | |
| Called up share capital | 14 | | 100 | | 100 |
| Profit and loss account | | | 46,657 | | 32,792 |
| | | | <u>£46,757</u> | | <u>£32,892</u> |
| Shareholders' funds | 16 | | £46,757 | | £32,892 |

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

ON BEHALF OF THE BOARD:

.....
- DIRECTOR

Approved by the Board on 16-1-98

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 March 1997**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 1995, is being written off evenly over its estimated useful life of ten years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|---------------------------|
| Leasehold property | - over period of lease |
| Plant and machinery | - 15% on reducing balance |
| Fixtures and fittings | - 15% on reducing balance |
| Motor vehicles | - 25% on reducing balance |

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. TURNOVER

The turnover and profit (1996 - loss) before taxation are attributable to the principal activities of the company.

3. OPERATING PROFIT/(LOSS)

The operating profit (1996 - operating loss) is stated after charging/(crediting):

| | 1997 | 1996 |
|--|--------|--------|
| | £ | £ |
| Hire of plant and machinery | 35,283 | 29,236 |
| Depreciation - owned assets | 13,197 | 8,904 |
| Profit on disposal of fixed assets | - | (618) |
| Goodwill written off | 1,975 | 1,975 |
| Auditors' remuneration | 3,500 | 3,506 |
| | <hr/> | <hr/> |
| Directors' emoluments and other benefits etc | 48,949 | 44,320 |
| Compensation to directors for loss of office | - | 20,000 |
| | <hr/> | <hr/> |

HIGH LARCHES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For The Year Ended 31 March 1997**

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 1997 | 1996 |
|--------------------------|---------------|---------------|
| | £ | £ |
| Deposit account interest | 228 | - |
| | <u> </u> | <u> </u> |

5. TAXATION

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

| | 1997 | 1996 |
|--------------------|---------------|---------------|
| | £ | £ |
| UK Corporation Tax | 6,013 | (148) |
| | <u> </u> | <u> </u> |

UK Corporation Tax has been charged at 24 % (1996 - 25 %).

6. INTANGIBLE FIXED ASSETS

| | Goodwill |
|------------------------|---------------|
| | £ |
| COST: | |
| At 1 April 1996 | |
| and 31 March 1997 | 19,750 |
| | <u> </u> |
| AMORTISATION: | |
| At 1 April 1996 | 1,975 |
| Charge for year | 1,975 |
| | <u> </u> |
| At 31 March 1997 | 3,950 |
| | <u> </u> |
| NET BOOK VALUE: | |
| At 31 March 1997 | 15,800 |
| | <u> </u> |
| At 31 March 1996 | 17,775 |
| | <u> </u> |

HIGH LARCHES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 1997

7. TANGIBLE FIXED ASSETS

| | Leasehold property | Plant and machinery | Fixtures and fittings | Motor vehicles | Totals |
|------------------------|-----------------------|------------------------|-----------------------------|-------------------|---------------|
| | £ | £ | £ | £ | £ |
| COST: | | | | | |
| At 1 April 1996 | 50,889 | 8,540 | 2,574 | 3,000 | 65,003 |
| Additions | 13,130 | - | 8,194 | - | 21,324 |
| | <u>64,019</u> | <u>8,540</u> | <u>10,768</u> | <u>3,000</u> | <u>86,327</u> |
| DEPRECIATION: | | | | | |
| At 1 April 1996 | 27,697 | 6,696 | 2,417 | 750 | 37,560 |
| Charge for year | 11,104 | 277 | 1,253 | 563 | 13,197 |
| | <u>38,801</u> | <u>6,973</u> | <u>3,670</u> | <u>1,313</u> | <u>50,757</u> |
| NET BOOK VALUE: | | | | | |
| At 31 March 1997 | <u>25,218</u> | <u>1,567</u> | <u>7,098</u> | <u>1,687</u> | <u>35,570</u> |
| At 31 March 1996 | <u>23,192</u> | <u>1,844</u> | <u>157</u> | <u>2,250</u> | <u>27,443</u> |

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1997 £ | 1996 £ |
|------------------------------|--------------|--------------|
| Trade debtors | 1,304 | - |
| Other debtors | 4,387 | 4,046 |
| Prepayments & accrued income | 2,722 | 4,455 |
| | <u>8,413</u> | <u>8,501</u> |

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 1997 £ | 1996 £ |
|--|---------------|---------------|
| Bank loans and overdrafts (see note 11) | - | 12,583 |
| Trade creditors | - | 862 |
| Social security & other taxes | 4,548 | 4,908 |
| Taxation | 6,013 | - |
| Accrued expenses | 16,578 | 3,909 |
| | <u>27,139</u> | <u>22,262</u> |

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 1997 £ | 1996 £ |
|-----------------------------|-----------|-----------|
| Bank loans (see note 11) | - | 8,642 |

HIGH LARCHES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 31 March 1997****11. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| Amounts falling due within one year or on demand: | | |
| Bank loans | - | 12,583 |
| Amounts falling due between one and two years: | | |
| Bank loans | - | 8,642 |

12. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

| | 1997 £ | Land and buildings operating leases 1996 £ |
|----------------------------|-----------|---|
| Expiring: | | |
| Between one and five years | 2,050 | 2,050 |

13. SECURED DEBTS

The following secured debts are included within creditors:

| | 1997 £ | 1996 £ |
|------------|-----------|-----------|
| Bank loans | - | 21,225 |

The bank has the following charges:

- i) First legal charge over 57-59 Old Dover Road, Canterbury-a leasehold property.
- ii) First legal charge over a life assurance policy taken out by the company on behalf of Mr R Krafft - limited to £35000.

14. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 1997 £ | 1996 £ |
|---------|----------|-------------------|-----------|-----------|
| 100 | Ordinary | £1 | 100 | 100 |

HIGH LARCHES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 31 March 1997

15. TRANSACTIONS WITH DIRECTORS

During the year the Company entered into the following arrangements in which the Directors and other connected persons had an interest.

- i) The Company rented the following properties at a total nominal annual rental of £2050 from High Larches Discretionary Trust:

Flats 1-5, 57 Old Dover Road
Flats 1-5, 59 Old Dover Road
Flats 1-9, 12 Tankerton Road
High Larches Farm, Shire Lane, Farnborough

- ii) Subletting part of High Larches Farm to director Mrs C E Krafft for an annual rental of £1000.

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1997 | 1996 |
|--|--------|---------|
| | £ | £ |
| Profit/(Loss) for the financial year | 13,865 | (8,846) |
| NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS | 13,865 | (8,846) |
| Opening shareholders' funds | 32,892 | 41,738 |
| CLOSING SHAREHOLDERS' FUNDS | 46,757 | 32,892 |
| Equity interests | 46,757 | 32,892 |