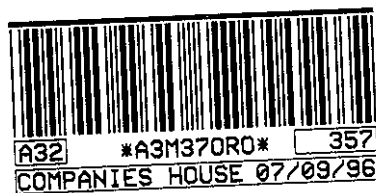


BYWAVES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1995

COMPANY NO 1744708



BYWAVES LIMITED

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BYWAVES LIMITED
COMPANY INFORMATION

31st December 1995

DIRECTORS	A J Wickins D P A Smith
SECRETARY	D P A Smith
COMPANY NUMBER	1744708
REGISTERED OFFICE	Quarry Lane Chichester West Sussex
BANKERS	National Westminster Bank Plc 5 East Street Chichester West Sussex
SOLICITORS	Blake Lapthorn New Court 1 Barnes Wallis Road Segensworth Fareham Hampshire
AUDITORS	Francis Woods & Muir Chartered Accountants 1 Priory Lanes Northgate Chichester West Sussex
PARENT COMPANY	City Property (Holdings) Limited

BYWAVES LIMITED**Directors' Report for the year ended 31st December 1995**

The directors present their report and the financial statements for the year ended 31 December 1995.

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 judgements 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.

Principal Activity

The company's principal activity continues to be that of construction, sale and rental of holiday accommodation.

Parent Company

The company is a wholly owned subsidiary of City Property (Holdings) Limited.

Directors

The directors who served during the year were as follows:

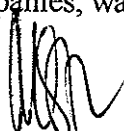
A J Wickins
DPA Smith

Mr AJ Wickins and Mr DPA Smith are directors of the parent company, City Property (Holdings) Limited and their interests in the share capital of that company are disclosed in its directors report.

Auditors

Messrs Francis Woods & Muir will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report, which has been prepared taking advantage of special exemptions applicable to small companies, was approved by the board on 3rd September 1996 and signed on their behalf.



DPA SMITH

BYWAVES LIMITED**Auditors' Report to the Shareholders of Bywaves Limited**

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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 judgements 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 true and fair view of the state of the company's affairs as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Francis Woods & Muir
Chartered Accountants and Registered Auditors
1 Priory Lanes
Northgate
Chichester
West Sussex

Dated: 5th September 1996

BYWAVES LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1995

	Note	1995 £	1994 £
Turnover	1(b)	-	-
Cost of sales		-	-
Gross loss		<u>-</u>	<u>-</u>
Administration expenses		(9,464)	(8,297)
Other Operating Income	2	6,250	9,631
Profit (loss) on ordinary activities before taxation	3	<u>(3,214)</u>	<u>1,334</u>
Taxation on profit on ordinary activities	4	-	-
Profit (loss) on ordinary activities after taxation		<u>(3,214)</u>	<u>1334</u>
Extraordinary Item	5	-	96,983
Retained profit (loss) for the year		<u>(3,214)</u>	<u>98,317</u>
Retained loss brought forward		(95,750)	(194,067)
Retained loss carried forward		<u>£(98,964)</u>	<u>£(95,750)</u>

There were no recognised gains and losses for 1995 or 1994 other than those included in the profit and loss account.

The notes on pages 6 to 8 form part of these financial statements.

BYWAVES LIMITED

BALANCE SHEET

at 31st December 1995

	Note	£	1994 £
Current assets			
Work-in-progress	6	125,000	125,000
Debtors	7	2,630	1,380
Cash at bank		167	66
		<u>127,797</u>	<u>126,446</u>
Creditors: amounts falling due within one year	8	(226,661)	(222,096)
Net Current Liabilities		<u>£(98,864)</u>	<u>£(95,650)</u>
Capital and Reserves			
Called up share capital	9	100	100
Profit and Loss Account		(98,964)	(95,750)
Shareholders Funds- All Equity	10	<u>£(98,864)</u>	<u>£(95,650)</u>

The directors have taken advantage, in the preparation of these financial statements, of special exemptions applicable to small companies under section 247 of the Companies Act 1985 on the grounds that, in the opinion of the directors, the company qualifies as a small company and it entitled to make use of the special exemptions. The financial statements were approved by the board on *3rd September 1996* and signed on its behalf.



DPA SMITH
Director

The notes on pages 6 to 8 form part of these financial statements.

BYWAVES LIMITED

NOTES ON FINANCIAL STATEMENTS

for the year ended 31st December 1995

1. Accounting Policies

a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations as indicated in the directors report, all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company net of Value Added Tax and trade discounts.

c) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

d) Stock and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

e) Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

2. Other Operating Income

	£	1994 £
Rental income	4,750	9,631
	<u> </u>	<u> </u>

BYWAVES LIMITED
NOTES ON FINANCIAL STATEMENTS
for the year ended 31st December 1995

**3. Profit (Loss) on ordinary activities
before taxation**

	£	1994 £
This is stated after charging:		
Auditors remuneration	1,000	900

4. Taxation

No charge to UK Corporation Tax arises on the results for this or the previous financial year.

5. Extraordinary Item

The extraordinary item arises from the waiver of the balance payable on a loan to the company.

6. Work-in-progress

Work-in-progress comprises freehold land and holiday homes. In view of the considerable deterioration in the property market since the company first acquired its land for development, during the year the directors obtained a chartered surveyor's valuation of the company's freehold interest and accommodation currently held. The work-in-progress figure at 31st December 1993 was written down to correspond with the surveyor's valuation and the directors believe that there has been no change in the value since that date.

7. Debtors
Amounts falling due within one year

	£	1994 £
Other debtors	257	629
Prepayments	1,695	751
Taxation and social security	678	
	<u>2,630</u>	<u>1,380</u>

BYWAVES LIMITED

NOTES ON FINANCIAL STATEMENTS

for the year ended 31st December 1995

8. **Creditors:** amounts falling due within one year

		1994
	£	£
Trade Creditors and Accruals	2,044	1,616
Other creditors	224,617	220,480
	<u>226,661</u>	<u>222,096</u>

9. **Called up share capital**

			1994	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	100	100	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Allotted called up and fully paid				
Ordinary shares of £1 each	100	100	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10. **Movement on Shareholders funds**

		1994
	£	£
Profit (Loss) for the year	(3,214)	98,317
Opening shareholders funds	(95,650)	(193,967)
	<u>(98,864)</u>	<u>(95,650)</u>