

Annual report

for the year ended 31 March 1998

Contents	Page
Directors and advisers	2
Chairman's statement	3
Report of the directors	4
Statement of directors' responsibilities	6
Report of the auditors	7
Consolidated profit and loss account	8
Group statement of total recognised gains and losses	9
Note of historical cost profits and losses	9
Group reconciliation of movements in shareholders' funds	9
Group balance sheet	10
Consolidated cash flow statement	11
Company balance sheet	12
Notes on the accounts	13
Financial record	27
Directors of principal subsidiary companies	28
Principal offices	28



Directors and advisers

Directors **R Clark FCA *Chairman and Chief Executive***

 *Mrs P A H Clark

 R J Harvey

 *S J Roberts MA

 *R E Towner MA

 *Non-executive

Secretary **J A Dippie FCA**

Registered Office 32 Haymarket, London, SW1Y 4TP.

 Registered number: 340727

 Date of Incorporation: 27 May 1938

Auditors **KPMG**

Principal Bankers **Clydesdale Bank plc**

 Bank of Scotland

 The Royal Bank of Scotland plc

Chairman's statement

This has been a year of considerable activity and changes.

After long consultations with management and shareholders it was agreed to discontinue commercial property investment as a core activity and to focus on development. The long held retail investment in East Kilbride was sold at a substantial profit reflecting the strong investment market. Meridian Court, Glasgow and 32 Haymarket, London have been retained by Taylor Clark plc to provide a secure income to cover our fixed costs for the foreseeable future and provide security for bank borrowings. The Golden Square Business Village, London and Melrose House, Glasgow have been sold at valuation to Taylor Clark Properties Limited for redevelopment. Work has now commenced on two new office developments, Aqueous Phase 2, Birmingham (37,000 sq ft) and Citypoint Phase 1, Glasgow (32,500 sq ft).

The decision was taken to sell the Bingo business and this was achieved by a successful sale to the Management Team under an MBO deal. The accounts reflect a loss but on the positive side the sale has allowed us to make substantial reductions in bank borrowings and to focus on the expansion of the remaining businesses within the leisure division. In November we opened our ninth "Littlejohn's" restaurant in Edinburgh and initial results encourage us to continue the expansion of this subsidiary. Further restaurant sites are being evaluated in both Scotland and England. Extra screens are to be added to our town centre cinemas in Elgin and Perth.

Farming and forestry continue to suffer from lower product prices and the strength of the pound. Due to poor future prospects for farming in the UK it was decided to sell Manor Farm, Fisherton de la Mere. A good sale was achieved in a very uncertain market place. Part of the proceeds of sale will be invested in a joint venture with a US farming family to develop a new vineyard and almond orchard near Modesto, California.

Our North American activities continue to produce good results and new investment opportunities are being considered. The two hotels near Stockton, California which opened last Autumn are achieving occupancy and room rates well ahead of forecast. The Castlehill Vineyard had an excellent harvest with yields and prices in excess of expectation. The Chardonnay vines now contribute 1% of The Robert Mondavi Corpn's "Woodbridge Chardonnay". In Frisco, Colorado all residential units have been sold and all the retail space leased. It is hoped to sell the remaining residential and commercial pads later in the year which would complete the sales programme. In February the company formed a partnership with Hy's Of Canada Ltd to operate "Hy's At The Mountain" a new steak house in the resort village of Whistler, British Columbia.

As a result of the sales of major assets, the company in its 60th Anniversary year is in a first class position to consolidate and expand its re-defined activities through to the Millenium and beyond.

I would like to thank all staff, managers, directors and advisers for their contribution to another eventful year.

Robin Clark

21 July 1998

Report of the directors

The directors have pleasure in submitting their annual report, together with the financial statements for the year ended 31 March 1998.

Group Activities

Taylor Clark plc is an investment holding company. The principal activities of its subsidiary undertakings are property development, farming and forestry, restaurants, cinemas and other leisure operations in the UK and North America.

Results and dividends

As shown by the consolidated profit and loss account the profit for the financial year amounted to £1,235,000 (1997: £5,154,000). After deducting £944,000 (1997: £928,000) for dividends paid and proposed, a retained profit of £291,000 (1997: £4,226,000) has been transferred to reserves.

On 29 October 1997 an interim dividend of 30p pence per share (1997: 30 pence per share) was paid. The directors recommend the payment of a final dividend of 30 pence per share (1997: 29 pence per share) making a total for the year of 60 pence per share (1997: 59 pence per share).

Year 2000

The Group is aware of the Year 2000 problem and has established programmes to review and, where necessary, upgrade internal systems. The full implications are being assessed and therefore the cost of this programme has not yet been fully quantified, but is not expected to be material.

Directors

The directors in office at the date of this report are set out on page 2.

Mr S J Titcomb served as a director up to his retirement on 8 October 1997.

The interests of the directors in the ordinary £1 shares of the company at 1 April 1997 and 31 March 1998 are listed below:

	31 March 1998		1 April 1997	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Robin Clark	118,909	720,300	118,909	720,300
Mrs P A H Clark	118,909	720,300	118,909	720,300
S J Roberts	61,450	74,000	61,450	—

The non beneficial shareholdings shown above arise because certain of the directors act as trustees. Where more than one director is a trustee the shares held by a particular trust may be shown more than once.

At 1 April 1997 and 31 March 1998 Mr Harvey and Mr Towner did not have any interest in the shares of the company. None of the directors had any beneficial interest in the shares of subsidiary undertakings.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Major shareholder

The Underwood Trust, a Registered Charity, owns 680,300 (1997: 680,300) ordinary shares of £1 each, representing 43.3% (1997: 43.3%) of the issued share capital.

Payments to suppliers

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms subject to the supplier fulfilling its obligations.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 March 1998 and amounts owed to its trade creditors at the end of the year was 23 days (1997: 16 days).

Donations


The group made neither contributions for political purposes nor charitable donations during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board,

J A Dippie
Secretary.



32 Haymarket,
London SW1Y 4TP.
21 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 and of the group and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and prevent and detect fraud and other irregularities.

Report of the auditors

To the Members of Taylor Clark plc

We have audited the financial statements on pages 8 to 26.

Respective responsibilities of directors and auditors

As described on page 6 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 group'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 affairs of the company and the group as at 31 March 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG

Chartered Accountants,

Registered Auditors

London

21 July 1998

Consolidated profit and loss account

for the year ended 31 March 1998

	Note	1998 £'000	1997 £'000
Turnover			
Continuing operations		41,360	22,033
Discontinued operation		12,088	13,925
Total turnover	2	53,448	35,958
Cost of sales		(37,441)	(23,282)
<hr/>			
Gross profit		16,007	12,676
Administrative expenses		(4,143)	(4,163)
Other operating income		81	443
<hr/>			
Operating profit			
Continuing operations		10,244	7,735
Discontinued operation		1,701	1,221
Total operating profit	3	11,945	8,956
Loss on sale of discontinued operation	4	(8,831)	—
Gains/(losses) on property disposals		2,324	(156)
Amounts written off investment properties		(1,870)	(16)
<hr/>			
Profit before interest		3,568	8,784
Net interest payable	6	(712)	(2,061)
<hr/>			
Profit on ordinary activities before taxation	2, 5	2,856	6,723
Taxation	8	(1,594)	(1,553)
<hr/>			
Profit on ordinary activities after taxation		1,262	5,170
Minority interests		(27)	(16)
<hr/>			
Profit for the financial year	9	1,235	5,154
Dividends			
Paid		(472)	(472)
Proposed		(472)	(456)
<hr/>			
Profit for the year transferred to reserves		291	4,226

A statement of the reserves is given in note 19.

The notes referred to above form part of these accounts.

Group statement of total recognised gains and losses

for the year ended 31 March 1998

	1998	1997
	£'000	£'000
Profit for the financial year	1,235	5,154
Unrealised surplus on revaluation of properties	547	1,948
Unrealised surplus on revaluation of investments	226	—
Deferred tax provided on revaluation	(131)	—
Currency translation difference on foreign currency net assets	(249)	(885)
Other recognised gains and losses	393	1,063
Total recognised gains and losses	1,628	6,217

Note of historical cost profits and losses

for the year ended 31 March 1998

	1998	1997
	£'000	£'000
Reported profit on ordinary activities before taxation	2,856	6,723
Realisation of property revaluation gains of previous years	19,510	1,047
Historical cost profit on ordinary activities before taxation	22,366	7,770
Historical cost profit for the year retained after taxation, minority interests and dividends	19,801	5,273

Group reconciliation of movements in shareholders' funds

for the year ended 31 March 1998

	1998	1997
	£'000	£'000
Profit for the financial year	1,235	5,154
Dividends paid and proposed	(944)	(928)
Profit for the year transferred to reserves	291	4,226
Other recognised gains and losses	393	1,063
Goodwill written back on disposal of subsidiary	243	—
Net movement in shareholders' funds	927	5,289
Opening balance of shareholders' funds	123,858	118,569
Closing balance of shareholders' funds	124,785	123,858

Group balance sheet

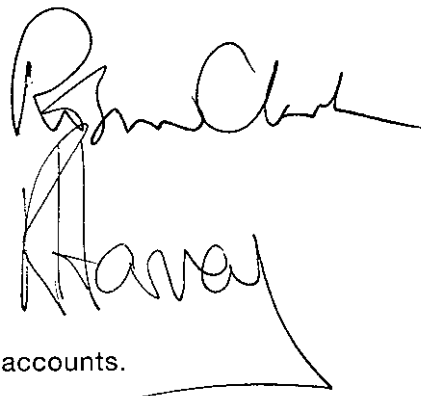
at 31 March 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Property	10	56,041	102,481
Other tangible assets	10	3,852	7,649
Investments	11	9,745	3,454
		69,638	113,584
Current assets			
Property and developments		32,991	36,268
Stocks	13	689	1,131
Debtors	14	2,436	2,336
Cash at bank and in hand		41,520	6,238
		77,636	45,973
Creditors: amounts falling due within one year	15	(10,253)	(19,889)
Net current assets		67,383	26,084
Total assets less current liabilities		137,021	139,668
Creditors: amounts falling due after more than one year	16	(10,000)	(13,750)
Provisions for liabilities and charges	17	(1,882)	(1,719)
Equity minority interests		(354)	(341)
Net assets		124,785	123,858
Capital and reserves			
Called up share capital	18	1,573	1,573
Capital redemption reserve	19	730	730
Revaluation reserve	19	14,552	33,442
Profit and loss account	19	107,930	88,113
Equity shareholders' funds		124,785	123,858

Approved by the Board on 21 July 1998

R Clark
R J Harvey

Directors



The notes referred to above form part of these accounts.

Consolidated cash flow statement

for the year ended 31 March 1998

	1998 £'000	1997 £'000
Net cash inflow from operating activities	30,968	1,289
Returns on investments and servicing of finance	(685)	(1,673)
Taxation	(1,536)	(1,266)
Capital expenditure and financial investment	11,735	4,855
Acquisitions and disposals	1,963	—
Equity dividends paid	(928)	(472)
Cash inflow before use of liquid resources and financing	41,517	2,733
Management of liquid resources	(38,457)	1,365
Financing: (decrease)/increase in debt	(2,116)	10,340
Increase in cash	944	14,438

Reconciliation of net cash flow to movement in net funds/(debt)

	1998		1997	
	£'000	£'000	£'000	£'000
Increase in cash in the year	944		14,438	
Cash outflow/(inflow) from movement in debt	2,116		(10,340)	
Cash outflow/(inflow) from movement in liquid resources	38,457		(1,365)	
Movement resulting from cash flows	41,517		2,733	
Loans disposed of with subsidiary	4,000		—	
Translation difference	(103)		(230)	
Movement in the year	45,414		2,503	
Net debt at 1 April 1997	(18,675)		(21,178)	
Net funds at 31 March 1998	26,739		(18,675)	

Further information concerning the consolidated cash flow statement is given in note 20 which forms part of these accounts.

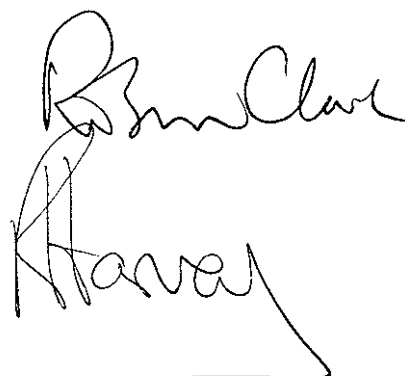
Company balance sheet

at 31 March 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Property	10	31,115	218
Other tangible assets	10	141	136
Investments	11	44,417	50,558
		75,673	50,912
Current assets			
Debtors due after one year	14	27,550	27,280
Debtors due within one year	14	39,304	9,249
Cash at bank and in hand		25,196	13
		92,050	36,542
Creditors: amounts falling due within one year	15	(60,202)	(21,347)
		31,848	15,195
Net current assets			
		31,848	15,195
Total assets less current liabilities			
		107,521	66,107
Creditors: amounts falling due after more than one year	16	(10,000)	(10,000)
		97,521	56,107
Net assets			
Capital and reserves			
Called up share capital	18	1,573	1,573
Capital redemption reserve	19	730	730
Revaluation reserve	19	10,990	—
Profit and loss account	19	84,228	53,804
		97,521	56,107
Equity shareholders' funds			
		97,521	56,107

Approved by the Board on 21 July 1998

R Clark
R J Harvey *Directors*



The notes referred to above form part of these accounts.

Notes on the accounts

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's and group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for properties and listed investments which are revalued under the alternative accounting rules.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of all the subsidiary undertakings up to 31 March 1998. Results of subsidiary undertakings acquired or disposed during the year are included from the date of acquisition or until the date of disposal.

The group's share of the results of associated undertakings is included in the consolidated profit and loss account and its share of the associated undertaking's net assets is included in the consolidated balance sheet.

In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account dealing with the results of the company has not been presented.

Goodwill arising on consolidation

Goodwill arising on consolidation represents the excess of the cost of shares in subsidiary undertakings acquired over the value of their net tangible assets at the date of acquisition and is written off immediately against reserves.

On the subsequent disposal of a business, the profit or loss on disposal is calculated after charging the amount of any related goodwill previously taken to reserves.

Depreciation of fixed assets

Fixed assets are depreciated on a straight line basis over their estimated useful lives adopting the following rates per annum:

Investment properties and freehold land	—	nil
Freehold buildings	—	0%-2%
Leasehold properties	—	over the life of the lease, limited to the final twenty one years.
Other tangible assets:		
Short life equipment	—	50%
Farming equipment	—	At between 10% and 20%
Other plant and equipment	—	At between 10% and 33%
Assets in course of construction	—	nil

Investment property

In accordance with SSAP 19, as amended in July 1994, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; except where there is a deficit on an individual investment property that is expected to be permanent, which is charged to the profit and loss account for the period. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty one years to run.

Notes on the accounts

continued

1 Accounting policies (*continued*)

This treatment, as regards certain of the group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are held for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. The profits and losses on disposal of investment properties are computed by reference to the valuation at the previous year end of the assets concerned plus subsequent expenditure.

Trading property

Trading properties are stated at cost or valuation. Valuations are carried out every three to five years at open market value on an existing use basis having regard to the trading potential of the properties. This method of valuation does not distinguish the values attributable to land, buildings and intangible assets such as goodwill. Regular valuations of the properties are carried out and the properties are maintained to a high standard. Accordingly, the directors are of the opinion that the length of lives and residual values of freehold properties are such that no provision for depreciation is required. This treatment may be a departure from the requirement of the Companies Act concerning depreciation on fixed assets. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. In addition, no amortisation of leasehold properties, where the unexpired term of the lease is in excess of twenty-one years, is provided as, in the opinion of the directors, the amount would not be material.

Any permanent diminution in the value of properties is charged to the profit and loss account.

Fixed asset investments

Listed investments held as fixed assets are revalued annually to the market price at the balance sheet date. The aggregate surplus or deficit on revaluation is transferred to a revaluation reserve, except where a deficit on an individual investment is expected to be permanent in which case that deficit is charged to the profit and loss account for the period.

Other investments held as fixed assets are shown at cost less provision, where in the opinion of the directors there has been a permanent diminution in value.

Woodlands

The investment in woodlands reflects the costs of establishing and maintaining commercial woodlands, net of grants received. The running costs are taken to profit and loss account.

Property and developments held as current assets

Properties held for development are included in current assets at the lower of cost and net realisable value. For properties previously held for investment which the directors have decided are to be redeveloped and which are reclassified as development properties, cost is considered to be the latest valuation prior to their reclassification. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires current assets to be included at the lower of cost and net realisable value, and which would therefore require such properties to be restated on the basis of historical cost when they were reclassified. The directors consider that compliance with this requirement would fail to give a true and fair view of the profit or loss to the Group on disposal of such development properties from current assets, since such profit or loss would be dependent on the classification of the asset immediately prior to sale. The effect of this departure is to increase both the value of development properties and the balance on the revaluation reserve by £365,000 (1997: £Nil).

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Leased assets

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

1 Accounting policies (*continued*)

Turnover

Turnover represents income from leisure operations, sales of goods and farm produce invoiced to outside customers, sales of property held for resale and investments, and rents, excluding Value Added Tax.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The accounts of overseas subsidiary undertakings are translated at the exchange rate ruling at the balance sheet date. The exchange differences arising on the translation of opening net assets are taken directly to reserves.

Pensions

Pension contributions are charged to the profit and loss account in accordance with actuarial recommendations so as to spread the cost of pensions over the employees' estimated remaining working lives with the group.

2 Turnover and business segment analysis

By activity

1998	<i>Property</i>	<i>Leisure</i>	<i>Other</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Turnover	28,998	21,903	2,547	53,448
Profit/(loss) before interest	10,002	(6,641)	207	3,568
Profit/(loss) before taxation	9,339	(7,116)	633	2,856
Assets employed	64,730	20,912	39,143	124,785

The loss shown above for the Leisure businesses includes the loss on sale of discontinued operation of £8,831,000.

1997

Turnover	12,259	22,206	1,493	35,958
Profit before interest	7,229	1,359	196	8,784
Profit before taxation	5,797	640	286	6,723
Assets employed	93,310	19,937	10,611	123,858

*By geographical market
(by destination and origin)*

	1998			1997		
	<i>UK</i>	<i>USA</i>	<i>Total</i>	<i>UK</i>	<i>USA</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	49,543	3,905	53,448	34,877	1,081	35,958
Profit before interest	2,677	891	3,568	8,449	335	8,784
Profit before taxation	2,174	682	2,856	6,248	475	6,723
Assets employed	111,670	13,115	124,785	111,008	12,850	123,858

Notes on the accounts

continued

3 Operating profit

By continuing and discontinued operations

	1998			1997		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	41,360	12,088	53,448	22,033	13,925	35,958
Cost of sales	(27,972)	(9,469)	(37,441)	(11,690)	(11,592)	(23,282)
Gross profit	13,388	2,619	16,007	10,343	2,333	12,676
Administrative expenses	(3,225)	(918)	(4,143)	(3,051)	(1,112)	(4,163)
Other operating income	81	—	81	443	—	443
Operating profit	10,244	1,701	11,945	7,735	1,221	8,956

4 Loss on sale of discontinued operation

During the year the group sold its bingo operation for £3.7 million to a company formed by a management team with venture capital backing. Certain members of this management team were directors of Leisure division companies prior to the sale.

The loss on disposal of £8.8 million represents the difference between the net proceeds of the sale and the net assets of Carlton Clubs Limited and Fairworld Bingo Clubs Limited (Fairworld) at the date of disposal. Included within the loss on disposal is a provision of £356,000 for amounts payable to the purchasers under warranties in the sale and purchase agreement, together with goodwill of £243,000 arising on the acquisition of Fairworld which was previously written off directly to reserves.

The sale realised a substantial capital loss, the majority of which has been used to relieve capital gains arising during the year. The effect of this is to reduce the tax charge for the year by approximately £1.7 million.

5 Profit on ordinary activities before taxation

The profit before taxation is arrived at after crediting and charging the following:

	1998 £'000	1997 £'000
<i>Crediting:</i>		
Income from listed investments	12	3
Exceptional write back of provisions against development properties	4,295	3,209
<i>Charging:</i>		
Depreciation (leased assets £122,000 (1997: 99,000))	2,000	2,038
Auditors' remuneration:		
Audit fees Group (including Company £27,000 (1997: £26,000))	116	108
Other services	97	80
Operating lease rental payments in respect of land and buildings	578	606

6 Net interest payable

	1998 £'000	1997 £'000
Bank and other interest receivable	974	274
Interest payable:		
Bank loans and overdrafts	(1,501)	(2,082)
Other interest charges	(19)	(150)
Currency translation differences	(166)	(103)
	(712)	(2,061)

7 Staff costs and directors' emoluments

The average number of persons employed by the group during the year was as follows:

	1998	1997
	Number	Number
Property, management and administration	19	20
Leisure (including approximately 60% part time)	922	1,029
Other	14	14
	<u>955</u>	<u>1,063</u>

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£'000	£'000
Wages and salaries	6,809	7,267
Social security costs	474	492
Other pension costs	446	496
	<u>7,729</u>	<u>8,255</u>

Directors' remuneration:

	1998	1997
	£'000	£'000
Directors' emoluments	261	225
Amount paid to third party in respect of directors' services	13	14
	<u>274</u>	<u>239</u>

The aggregate of emoluments of the highest paid director was £151,000 (1997: £99,000). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from his normal retirement date if he were to retire at the year end, was £82,000 (1997: £57,000).

	Number of directors	
	1998	1997
Retirement benefits are accruing to the following number of directors under a defined benefit scheme	<u>2</u>	<u>2</u>

8 Taxation

	1998	1997
	£'000	£'000
Corporation tax at 31% (1997: 33%) based on the profit for the year	(1,414)	(1,651)
Tax attributable to franked investment income	(2)	—
Deferred taxation	(257)	208
Adjustments in respect of prior years	180	404
Overseas tax	(101)	(514)
	<u>(1,594)</u>	<u>(1,553)</u>

As part of the group's decision to discontinue commercial property investment as a core activity, two properties previously held as investments by the group were transferred to a property dealing subsidiary undertaking and appropriated into trading stock. A trading loss for tax purposes arose which has reduced the group's tax charge by approximately £2.4 million.

9 Profit/(loss) for the financial year

	1998	1997
	£'000	£'000
Dealt with in the accounts of the holding company	31,366	9,145
Retained by subsidiary undertakings	(30,131)	(3,991)
	<u>1,235</u>	<u>5,154</u>

Notes on the accounts

continued

10 Fixed assets: Property and other tangible assets

Group:	Freehold property		Leasehold property		Total property	Other tangible assets
	Investment	Trading	Long lease	Short lease		
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation:						
1 April 1997	67,389	31,619	218	3,334	102,560	17,967
Additions	418	2,997	—	437	3,852	1,881
Disposals	(17,844)	(15,749)	(218)	(2,645)	(36,456)	(11,404)
Translation difference	(95)	(66)	—	—	(161)	(28)
Amounts written off	(1,870)	—	—	—	(1,870)	—
Reclassified as property and developments	(12,248)	—	—	—	(12,248)	—
Surplus on revaluation	520	27	—	—	547	—
31 March 1998	36,270	18,828	—	1,126	56,224	8,416
Cost	—	15,038	—	435	15,473	8,416
Valuation	36,270	3,790	—	691	40,751	—
	36,270	18,828	—	1,126	56,224	8,416
Depreciation:						
1 April 1997	—	48	—	31	79	10,318
Charged in year	—	65	—	39	104	1,896
Disposals	—	—	—	—	—	(7,650)
31 March 1998	—	113	—	70	183	4,564
Net book value:						
1 April 1997	67,389	31,571	218	3,303	102,481	7,649
31 March 1998	36,270	18,715	—	1,056	56,041	3,852
Historical cost of items valued under the alternative accounting rules	24,399	3,405	—	1,165	28,969	—
	<i>Freehold investment property</i>		<i>Long leasehold property</i>		<i>Total property</i>	<i>Other tangible assets</i>
	£'000		£'000		£'000	£'000
Company:						
Cost or valuation:						
1 April 1997	—		218		218	631
Additions	33,586		—		33,586	107
Disposals	(13,235)		(218)		(13,453)	(87)
Surplus on revaluation	10,764		—		10,764	—
31 March 1998	31,115		—		31,115	651
Cost	—		—		—	651
Valuation	31,115		—		31,115	—
	31,115		—		31,115	651
Depreciation:						
1 April 1997	—		—		—	495
Charged in year	—		—		—	57
Disposals	—		—		—	(42)
31 March 1998	—		—		—	510
Net book value:						
1 April 1997	—		218		218	136
31 March 1998	31,115		—		31,115	141
Historical cost of items valued under the alternative accounting rules	20,350		—		20,350	—

Tangible fixed assets at 31 March 1998 have been included on the following bases:

- Investment properties have been valued on an open market basis as at 31 March 1998 using the relevant professional guidelines applicable to each country in which the property is located. The portfolio was valued by:

	Group		Company	
	By value	By value	By value	By value
	£'000	£'000	£'000	£'000
DTZ Debenham Thorpe, International Property Advisers	29,100	29,100	29,100	29,100
Directors of group undertakings	7,170	2,015	—	—

- Trading property is included at cost or at valuation. Such valuations have been determined by the directors of the relevant subsidiary undertaking based on their estimate of open market value on an existing use basis at 31 March 1996.
- Other tangible assets comprise fixtures, fittings, plant, machinery and motor vehicles. These assets are included at cost less provision for depreciation and, if appropriate, permanent diminution in value.

11 Fixed assets: Investments

	<i>Investments in associated undertakings</i>	<i>Listed investments</i>	<i>Investments in woodlands</i>	<i>Other investments</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
<i>Group:</i>					
Cost or market value					
1 April 1997	—	100	1,958	1,456	3,514
Additions	715	5,250	57	454	6,476
Disposals	—	—	(58)	(265)	(323)
Reclassification	—	250	—	(250)	—
Revaluation surplus	—	226	—	—	226
Translation difference	—	—	—	(7)	(7)
31 March 1998	715	5,826	1,957	1,388	9,886
Provisions					
1 April 1997	—	—	—	60	60
Provided in year	—	—	—	81	81
31 March 1998	—	—	—	141	141
Net book value:					
31 March 1997	—	100	1,958	1,396	3,454
31 March 1998	715	5,826	1,957	1,247	9,745

Investments in associated undertakings includes a loan of £715,000 to the associated undertaking (see note 12).

	<i>Listed investments</i>	<i>Shares in subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<i>Company:</i>				
Cost or market value				
1 April 1997	100	54,594	1,088	55,782
Additions	5,250	5,869	156	11,275
Disposals	—	(19,618)	(22)	(19,640)
Reclassification	250	—	(250)	—
Revaluation surplus	226	—	—	226
31 March 1998	5,826	40,845	972	47,643
Provisions				
1 April 1997	—	5,164	60	5,224
Provided in year	—	1,544	81	1,625
Disposals	—	(3,623)	—	(3,623)
31 March 1998	—	3,085	141	3,226
Net book value:				
31 March 1997	100	49,430	1,028	50,558
31 March 1998	5,826	37,760	831	44,417

Notes on the accounts

continued

12 Subsidiary and associated undertakings

The company owned the proportions set out below of the issued share capital of the following principal subsidiary undertakings:

	<i>Percentage of equity owned at 31 March 1998</i>	<i>Country of registration/ incorporation</i>
Property		
Taylor Clark Properties Limited	100	Scotland
Taylor Clark International Limited	100	England
Castlehill Holdings Inc.	100*	USA
King Street (W.C.2.) Developments Limited	75	England
Leisure		
Littlejohn's Restaurants (U.K.) Limited	100	Scotland
Caledonian Nightclubs Limited	100	Scotland
Caledonian Cinemas Limited	100	Scotland
Farming and woodlands		
Wylve Valley Farming Limited	100	England

*Owned by a subsidiary undertaking

Associated undertaking

At 31 March 1998 the group held a 50% limited partnership interest in Hy's at the Mountain, a Canadian partnership which operates a restaurant.

13 Stocks

Stocks comprise:	<i>Group</i>	
	1998 £'000	1997 £'000
Leisure operations	125	496
Farm produce	564	635
	<hr/> 689	<hr/> 1,131

14 Debtors

	<i>Group</i>		<i>Company</i>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
<i>Amounts due after one year</i>				
Amounts owed by subsidiary undertakings	—	—	27,550	27,280
<hr/>				
<i>Amounts due within one year</i>				
Trade debtors	377	620	—	—
Amounts owed by subsidiary undertakings	—	—	39,003	8,917
Corporation tax receivable	223	204	2	1
Advance corporation tax	121	114	118	114
Other debtors	1,430	603	114	189
Prepayments and accrued income	285	795	67	28
	<hr/> 2,436	<hr/> 2,336	<hr/> 39,304	<hr/> 9,249

15 Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank loans and overdrafts	4,781	11,163	—	—
Trade creditors	1,052	2,142	26	33
Amounts owed to subsidiary undertakings	—	—	58,399	20,453
Other creditors including taxation and social security	1,779	3,269	228	154
Accruals and deferred income	2,156	2,859	1,077	251
Dividends	485	456	472	456
	10,253	19,889	60,202	21,347
Other creditors including taxation and social security comprise:				
Corporation tax	873	1,694	1	—
Advance corporation tax	121	114	118	114
Other taxes	305	988	42	—
Social security	56	105	25	35
Other creditors	424	368	42	5
	1,779	3,269	228	154

£4,781,000 (1997: £11,163,000) of the bank loans and overdrafts are secured by charges over certain of the group's fixed assets.

16 Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank loans	10,000	13,750	10,000	10,000

	<i>Group</i>		<i>Company</i>	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank loans repayable				
between 1 and 2 years	—	1,000	—	—
between 2 and 5 years	10,000	12,750	10,000	10,000
	10,000	13,750	10,000	—

Two bank loans of £5,000,000 each are repayable in April and October 2001 and have interest rates fixed at 8.44% and 7.92% respectively. They are both secured by charges over certain of the group's fixed assets.

After the year end the £5,000,000 loan bearing interest at 7.92% was repaid using surplus funds held by the company.

17 Provisions for liabilities and charges

	<i>Deferred taxation</i>	<i>Other provision</i>	<i>Total</i>
<i>Group</i>	£'000	£'000	£'000
1 April 1997	485	1,234	1,719
Charged to profit and loss account	257	—	257
Charged to revaluation reserve	131	—	131
Eliminated on disposal of subsidiary	(222)	—	(222)
Translation difference	(3)	—	(3)
31 March 1998	648	1,234	1,882

Notes on the accounts

continued

17 Provisions for liabilities and charges (continued)

The amounts provided and full potential liability for deferred taxation calculated under the liability method are set out below:

	1998		1997	
	<i>Amount provided</i>	<i>Full potential liability</i>	<i>Amount provided</i>	<i>Full potential liability</i>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	254	254	373	373
Other timing differences	394	394	112	112
Revalued land and buildings	—	574	—	5,271
	648	1,222	485	5,756

The other provision represents a provision for future rentals and associated costs in respect of a vacant trading property.

18 Share capital

	<i>Authorised</i>	<i>Allotted, called up and fully paid</i>
	£'000	£'000
Ordinary shares of £1 each:		
31 March 1998 and 1997	2,500	1,573

19 Reserves

	<i>Capital redemption reserve</i>	<i>Revaluation reserves</i>		<i>Profit and loss account</i>	<i>Total</i>
	£'000	<i>Investment Properties</i>	<i>Listed Investments</i>	£'000	£'000
<i>Group</i>					
1 April 1997	730	33,442	—	88,113	122,285
Profit for the year	—	—	—	291	291
Increase arising on revaluation	—	547	226	—	773
Deferred tax on revaluation	—	(131)	—	—	(131)
Realised on disposal	—	(19,510)	—	19,510	—
Goodwill written back on disposal of subsidiary	—	—	—	243	243
Currency translation difference	—	(22)	—	(227)	(249)
31 March 1998	730	14,326	226	107,930	123,212
<i>Company</i>					
1 April 1997	730	—	—	53,804	54,534
Retained profit for the year	—	—	—	30,424	30,424
Increase arising on revaluation	—	10,764	226	—	10,990
31 March 1998	730	10,764	226	84,228	95,948

At 31 March 1998, the cumulative goodwill written off against group reserves amounted to £1,302,000 (1997: £1,545,000).

20 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	1998	1997
	£'000	£'000
Operating profit	11,945	8,956
(Profit) on sale of fixed tangible assets	—	(85)
(Profit) on sale of fixed asset investments	(106)	(142)
Depreciation charges	2,000	2,038
Amount provided against fixed asset investments	81	—
Currency translation differences	(103)	(271)
Amounts written off investment properties	—	140
Decrease/(increase) in stocks	116	(9)
(Increase)/decrease in debtors	(1,069)	949
Increase/(decrease) in creditors	2,633	(5,506)
Decrease/(increase) in property and developments	15,471	(5,015)
Increase in other provision	—	234
Net cash inflow from operating activities	30,968	1,289

Returns on investments and servicing of finance

Interest received	968	267
Interest paid	(1,653)	(1,940)
Net cash (outflow) for returns on investments and servicing of finance	(685)	(1,673)

Capital expenditure and financial investment

Purchase of tangible fixed assets	(5,733)	(5,731)
Purchase of fixed asset investments	(5,761)	(306)
Proceeds from sales of tangible fixed assets	22,800	10,243
Proceeds from sales of fixed asset investments	429	649
Net cash inflow from capital expenditure and financial investment	11,735	4,855

Acquisitions and disposals

Proceeds from sale of subsidiary	3,602	—
Cash disposed of with subsidiary	(924)	—
Loan to associated undertaking	(715)	—
Net cash inflow from acquisitions and disposals	1,963	—

Management of liquid resources

Cash (added to)/withdrawn from fixed deposits	(38,457)	1,365
Net cash (outflow)/inflow from management of liquid resources	(38,457)	1,365

Financing

Debt due within a year

Loans drawn down	—	1,340
Loans repaid	(2,116)	(1,000)

Debt due beyond a year

New secured loans repayable 2001	—	10,000
Net cash (outflow)/inflow from financing	(2,116)	10,340

Notes on the accounts

continued

20 Notes to the cash flow statement (continued)

Analysis of net funds/(debt)

	At 1 April 1997 £'000	Cash flow £'000	Disposal of subsidiary £'000	Other non-cash changes £'000	Exchange movement £'000	31 March 1998 £'000
Cash in hand and at bank	4,931	(3,098)	—	—	(52)	1,781
Overdrafts	(8,823)	4,042	—	—	—	(4,781)
		944				
Debt due after 1 year	(13,750)	—	3,000	750	—	(10,000)
Debt due within 1 year	(2,340)	2,116	1,000	(750)	(26)	—
		2,116				
Funds on deposit over one day	1,307	38,457	—	—	(25)	39,739
Total	(18,675)	41,517	4,000	—	(103)	26,739

Sale of subsidiary undertaking

	1998 £'000	1997 £'000
Net assets disposed of		
Tangible fixed assets	19,734	—
Stocks	326	—
Debtors	1,001	—
Cash	924	—
Liabilities	(10,151)	—
Net assets disposed of	11,834	—
Goodwill written off	243	—
Loss on disposal	(8,831)	—
	3,246	—
Satisfied by		
Net cash proceeds	3,602	—
Provision for amounts payable to purchasers under warranties	(356)	—
	3,246	—

The business sold during the year contributed £2,683,000 to the group's net operating cash flows, paid £308,000 in respect of net returns on investments and servicing of finance and paid £170,000 in respect of taxation.

21 Commitments

Commitments for capital expenditure at 31 March not provided for in the accounts were as follows:

	Group	
	1998 £'000	1997 £'000
Contracted	—	13

The group is committed to making payments of £412,000 (1997: £617,000) in the next financial year in respect of operating leases for land and buildings in which the commitment exceeds five years.

No provision has been made in the financial statements in respect of financial commitments of £5,080,000 (1997: nil) which relate to payments which will become due under contracts entered into for the purchase of land and buildings and the construction or redevelopment of properties.

22 Contingent liabilities

The company together with certain of its fellow group undertakings, has group facilities with its bankers. In connection with these facilities each participating undertaking has guaranteed the debt due by its fellow participating undertakings to its bankers. The company's potential liability under the guarantee at 31 March 1998 was £4,375,000 (1997: £5,114,000).

23 Pension costs

The group has two principal pension schemes which provide benefits based on final pensionable pay. The schemes are explained below.

Taylor Clark plc Retirement and Death Benefit Scheme (Group Scheme)

This covers employees of Taylor Clark plc and Wylve Valley Farming Limited. The assets of the scheme are held separately from those of the group. Contributions to the scheme are made in accordance with the recommendations of independent actuaries and are invested in policies in the form of profit deferred annuities issued through a major life insurance office.

The most recent valuation of the scheme was at 1 April 1996. The main assumption applied was that investment returns would exceed earnings increases by 1% per annum. The scheme is fully funded with a final salary funding ratio of 117%.

The pension charge for the year was £136,000 (1997: £155,000). There were no outstanding or prepaid contributions at either the beginning or end of the year. The contribution of the group for the scheme was 15% (1997: 19%) of total pensionable salary. The employees contribute an additional 4% (1997: 4%).

Taylor Clark Leisure plc Retirement and Death Benefit Scheme (Leisure scheme)

The members of the Leisure scheme are employees or former employees of either Carlton Clubs plc (Carlton) or Caledonian Cinemas Limited, Littlejohn's Restaurants (U.K.) Limited and Caledonian Nightclubs Limited (the retained companies). The assets of the scheme are held separately from those of the group. Contributions to the scheme are made in accordance with the recommendations of independent actuaries and are invested with a managed fund.

The majority of members of the Leisure scheme are employees or former employees of Carlton. The agreement for the sale of Carlton provided that Carlton would become the principal employer of the scheme and the employees of the retained companies would (subject to their consent) be transferred from the Leisure scheme to the Group scheme. Actuaries have been appointed by both Carlton and Taylor Clark plc to agree a transfer value relating to these employees.

The most recent actuarial valuation of the scheme was carried out as at 23 January 1998. The main assumption applied was that investment returns would exceed earnings increases by 2% per annum. This valuation resulted in a shortfall of £475,600, which will be funded by Carlton as principal employer of the scheme.

The pension charge for the year was £310,000 (1997: £341,000). There were no outstanding contributions at either the beginning or end of the year. Prepaid contributions at the end of the year were £40,000 (1997: £80,000).

Notes on the accounts

continued

24 Related party transactions

The Taylor Clark plc group's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

	Sub note	1998 £'000	1997 £'000
Management charge to The Underwood Trust, in respect of services provided by the group	1	15	15
Dividends paid by Taylor Clark plc and received in a beneficial capacity by:			
The Underwood Trust		401	204
Directors of Taylor Clark plc		177	92
Amounts due from The Underwood Trust at 31 March		9	8
Fees paid to Richards Butler	2	105	—

Sub notes

1 At 31 March 1998, The Underwood Trust held 680,300 ordinary shares (1997: 680,300) representing in aggregate 43.3% (1997: 43.3%) of the issued share capital of the company. The Underwood Trust is an English charitable trust which was established in 1973. The Trustees of The Underwood Trust comprise Mr R Clark, who is also Chairman of Taylor Clark plc, together with Mrs P A H Clark, a fellow director of Taylor Clark plc, and Mr C Clark.

2 Mr R E Towner, a director of Taylor Clark plc, is a consultant to Richards Butler, an international law firm.

3 Mr R Clark and his family and Mr C Clark are the ultimate controlling parties of the group.

25 Post balance sheet events

Since 31 March 1998 the group has sold a development property and entered into an agreement to sell certain of the farming interests. The net proceeds are expected to be approximately £20 million.

Financial record

for the years ended 31 March

	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000
Balance sheet						
Fixed assets						
Property	56,041	102,481	107,096	108,204	83,012	77,898
Other tangible assets	3,852	7,649	8,438	8,119	4,593	3,844
Investments	9,745	3,454	3,700	3,077	3,373	2,608
Net current assets	67,383	26,084	6,185	3,915	19,426	18,458
Other liabilities and provisions	(11,882)	(15,469)	(6,525)	(6,543)	(1,102)	(3,918)
Minority interests	(354)	(341)	(325)	(227)	(214)	(123)
Net assets	124,785	123,858	118,569	116,545	109,088	98,767
Capital and reserves						
Called up share capital	1,573	1,573	1,573	1,573	1,573	1,573
Revaluation reserve	14,552	33,442	32,568	30,142	28,175	15,662
Other reserves	108,660	88,843	84,428	84,830	79,340	81,532
Equity shareholders' funds	124,785	123,858	118,569	116,545	109,088	98,767
Turnover and profits						
Turnover	53,448	35,958	33,704	25,871	24,387	24,019
Profit/(loss) after taxation	1,262	5,170	(1,763)	3,446	5,529	2,221
Dividends	(944)	(928)	(409)	(881)	(865)	(802)

Directors of principal subsidiary companies

(excluding directors of Taylor Clark plc)

Property Companies	Jon Brand John Dippie Christopher Edwards* Duncan McDonald Andrew Woods
Leisure Companies	Catriona Bissett Douglas Boyd* James Davidson Ron Farquharson John Loughray*
Wylve Valley Farming Limited	Andrew Clark John Coates* Antony Cox David Snow
Castlehill Holdings Inc	Andrew Macdonald* Ralph Wintrose* <i>Managers</i> Crawford International Inc *Non-executive

Principal offices

Head Office	32 Haymarket, London SW1Y 4TP Telephone: 0171 930 8494 Facsimile: 0171 930 5575
Glasgow	Regent House, 76 Renfield Street, Glasgow G2 1BQ Telephone: 0141 332 6111 Facsimile: 0141 332 3562
Inverness	PO Box 21, Huntly Street, Inverness IV1 1LA Telephone: 01463 237 611 Facsimile: 01463 223 637
Wylve	Manor Farm, Fisherton de la Mere, Warminster BA12 0PY Telephone: 01985 248231 Facsimile: 01985 248445
California	c/o Crawford International Inc 2082 Business Center Drive, Suite 150 Irvine, California 92715 Telephone: 001 949 833 3525 Facsimile: 001 949 833 2159