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Annual report
for the year ended 31 March 1999

Contents

Directors and advisers

Directors	R Clark FCA *Chairman and Chief Executive*
	*Mrs P A H Clark
	R J Harvey
	*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

I am very pleased to announce that the group made a profit before taxation of £13.6 million, our best result for a number of years.

All divisions made positive contributions to this total.

I take this opportunity to thank all staff, managers, directors and advisers for the hard work involved in achieving this satisfactory result.

Planning consent has been obtained for a new 86,000 sq. ft. office development in Worcester. It is planned to commence this development early next year.

Consent has also been obtained for "The Salon Cinema", Glasgow to be used as a "Littlejohns" restaurant which will open by the end of the year.

In July of this year Caledonian Cinemas re-launched "The Playhouse", Perth as a seven screen city centre cinema. The results will be closely monitored to determine whether the concept can be replicated in other locations.

In the USA it is proposed to increase the room capacity of our "Residence Inn" hotel, Stockton which has been trading very successfully since its opening.

As the Millennium approaches all divisions are busy, confident, well funded and hopefully year 2000 compatible! There is a great deal to look forward to in the next century.

Robin Clark

20 July 1999

Report of the directors

The directors have pleasure in submitting their annual report, together with the financial statements for the year ended 31 March 1999.

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 £10,358,000 *(1998: £1,235,000)*. After deducting £959,000 *(1998: £944,000)* for dividends paid and proposed, a retained profit of £9,399,000 *(1998: £291,000)* has been transferred to reserves.

On 4 March 1999 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 31 pence per share *(1998: 30 pence per share)* making a total for the year of 61 pence per share *(1998: 60 pence per share)*.

Year 2000 compliance

As is well known, many computer and IT systems may require modification or replacement to accommodate the year 2000. The group has established a programme to assess the impact of the year 2000 on the group's activities and its customers and suppliers and to take corrective action where necessary. Regular reports are made to the board on the progress of this programme.

It is not possible for any organisation to guarantee that no year 2000 failures will occur, particularly as the group may be affected by the compliance of third parties. However, the group believes that it will achieve an acceptable state of readiness.

The cost of this programme has been absorbed within the group's normal capital expenditure and maintenance expense and is not material.

Directors

The directors in office at the date of this report are set out on page 2.
Mr S J Roberts served as a director up to his resignation on 14 September 1998.

The interests of the directors in the ordinary £1 shares of the company at 1 April 1998 and 31 March 1999 are listed below:

	31 March 1999		1 April 1998	
	Beneficial	**Non Beneficial**	Beneficial	Non Beneficial
Robin Clark	**108,909**	**720,300**	118,909	720,300
Mrs P A H Clark	**108,909**	**720,300**	118,909	720,300
R J Harvey	**—**	**94,000**	—	—

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 1998 and 31 March 1999 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 *(1998: 680,300)* ordinary shares of £1 each, representing 43.3% *(1998: 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 1999 and amounts owed to its trade creditors at the end of the year was 20 days *(1998: 23 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.
20 July 1999

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 28.

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 1999 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

KPMG
Chartered Accountants,
Registered Auditors
London
20 July 1999

Consolidated profit and loss account

for the year ended 31 March 1999

	Note	1999	1998
		£'000	£'000
Turnover of the group including its share of joint ventures		**36,229**	53,448
Less: Share of turnover of joint ventures		**(1,150)**	—
Group turnover	2, 3	**35,079**	53,448
Cost of sales		**(23,087)**	(37,441)
Gross profit		**11,992**	16,007
Administrative expenses		**(4,014)**	(4,143)
Other operating (expense)/income		**(149)**	81
Group operating profit	3	**7,829**	11,945
Share of operating profit of joint ventures		**268**	—
Total operating profit		**8,097**	11,945
Loss on sale of discontinued operation	4	**(47)**	(8,831)
Gains on property disposals		**2,935**	2,324
Amounts written off investment properties		**—**	(1,870)
Profit before interest		**10,985**	3,568
Interest receivable	6	**3,523**	974
Interest payable	7	**(633)**	(1,686)
Share of net interest payable of joint ventures		**(220)**	—
Profit on ordinary activities before taxation	2, 5	**13,655**	2,856
Taxation	9	**(3,284)**	(1,594)
Profit on ordinary activities after taxation		**10,371**	1,262
Minority interests		**(13)**	(27)
Profit for the financial year	10	**10,358**	1,235
Dividends			
Paid		**(472)**	(472)
Proposed		**(487)**	(472)
Profit for the year transferred to reserves		**9,399**	291

A statement of the reserves is given in note 21.

The notes referred to above form part of these accounts.

Group statement of total recognised gains and losses

for the year ended 31 March 1999

	1999 £'000	1998 £'000
Profit for the financial year	10,358	1,235
Unrealised (deficit)/surplus on revaluation of properties	(115)	547
Unrealised surplus on revaluation of investments	23	226
Deferred tax provided on revaluation	—	(131)
Currency translation difference on foreign currency net assets	548	(249)
Other recognised gains and losses	456	393
Total recognised gains and losses	10,814	1,628

Note of historical cost profits and losses

for the year ended 31 March 1999

	1999 £'000	1998 £'000
Reported profit on ordinary activities before taxation	13,655	2,856
Realisation of revaluation gains of previous years	112	19,510
Historical cost profit on ordinary activities before taxation	13,767	22,366
Historical cost profit for the year retained after taxation, minority interests and dividends	9,511	19,801

Group reconciliation of movements in shareholders' funds

for the year ended 31 March 1999

	1999 £'000	1998 £'000
Profit for the financial year	10,358	1,235
Dividends paid and proposed	(959)	(944)
Profit for the year transferred to reserves	9,399	291
Other recognised gains and losses	456	393
Goodwill written back on disposal of subsidiary	—	243
Net movement in shareholders' funds	9,855	927
Opening balance of shareholders' funds	124,785	123,858
Closing balance of shareholders' funds	134,640	124,785

Group balance sheet

at 31 March 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Property	11	52,967	56,041
Other tangible assets	11	3,854	3,852
Investments in joint ventures			
Share of gross assets		11,532	789
Share of gross liabilities		(6,977)	(74)
	12	4,555	715
Other investments	13	6,569	9,030
		67,945	69,638
Current assets			
Property and developments		37,113	32,991
Stocks	15	333	689
Debtors	16	2,141	2,436
Cash at bank and in hand		45,539	41,520
		85,126	77,636
Creditors: amounts falling due within one year	17	(11,312)	(10,253)
Net current assets		73,814	67,383
Total assets less current liabilities		141,759	137,021
Creditors: amounts falling due after more than one year	18	(5,000)	(10,000)
Provisions for liabilities and charges	19	(1,752)	(1,882)
Equity minority interests		(367)	(354)
Net assets		134,640	124,785
Capital and reserves			
Called up share capital	20	1,573	1,573
Capital redemption reserve	21	730	730
Revaluation reserve	21	14,390	14,552
Profit and loss account	21	117,947	107,930
Equity shareholders' funds		134,640	124,785

Approved by the Board on 20 July 1999 and signed on its behalf by

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 1999

	1999 £'000	1998 £'000
Net cash inflow from operating activities	5,266	30,968
Returns on investments and servicing of finance	2,363	(685)
Taxation	(359)	(1,536)
Capital expenditure and financial investment	7,502	11,735
Acquisitions and disposals	(3,812)	1,963
Equity dividends paid	(957)	(928)
Cash inflow before use of liquid resources and financing	10,003	41,517
Management of liquid resources	(3,599)	(38,457)
Financing: decrease in debt	(5,000)	(2,116)
Increase in cash	1,404	944

Reconciliation of net cash flow to movement in net funds

	1999		1998	
	£'000	£'000	£'000	£'000
Increase in cash in the year	1,404		944	
Cash outflow from movement in debt	5,000		2,116	
Cash outflow from movement in liquid resources	3,599		38,457	
Movement resulting from cash flows		10,003		41,517
Loans disposed of with subsidiary		—		4,000
Translation difference		198		(103)
Movement in the year		10,201		45,414
Net funds at 1 April 1998		26,739		(18,675)
Net funds at 31 March 1999		36,940		26,739

Further information concerning the consolidated cash flow statement is given in note 22 which forms part of these accounts.

Company balance sheet
at 31 March 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Property	11	**31,000**	31,115
Other tangible assets	11	**251**	141
Investments	13	**41,145**	44,417
		72,396	75,673
Current assets			
Debtors due after one year	16	**25,450**	27,550
Debtors due within one year	16	**2,512**	39,304
Cash at bank and in hand		**33,771**	25,196
		61,733	92,050
Creditors: amounts falling due within one year	17	**(13,912)**	(60,202)
Net current assets		**47,821**	31,848
Total assets less current liabilities		**120,217**	107,521
Creditors: amounts falling due after more than one year	18	**(5,000)**	(10,000)
Provisions for liabilities and charges	19	**(8)**	—
Net assets		**115,209**	97,521
Capital and reserves			
Called up share capital	20	**1,573**	1,573
Capital redemption reserve	21	**730**	730
Revaluation reserve	21	**10,846**	10,990
Profit and loss account	21	**102,060**	84,228
Equity shareholders' funds		**115,209**	97,521

Approved by the Board on 20 July 1999 and signed on its behalf by

R Clark
R J Harvey *Directors*

Robin Clark
R Harvey

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 include the financial statements of the company and its subsidiary undertakings made up to 31 March 1999. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 April 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation in respect of acquisitions since 1 April 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Notes on the accounts
continued

1 Accounting policies *(continued)*

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.

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 impairment in the value of properties is charged to the profit and loss account.

1 Accounting policies *(continued)*

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 an impairment 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 historical cost or if higher, 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 *(1998: £365,000)*.

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.

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.

Notes on the accounts
continued

1 Accounting policies *(continued)*

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

1999	*Property* £'000	*Leisure* £'000	*Other* £'000	*Total* £'000
Group turnover	**21,766**	**11,602**	**1,711**	**35,079**
Profit before interest	**6,924**	**2,098**	**1,963**	**10,985**
Profit before taxation	**7,153**	**2,597**	**3,905**	**13,655**
Assets employed	**69,408**	**14,099**	**51,133**	**134,640**
1998				
Group 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.

By geographical market		**1999**			1998	
(by destination and origin)	*UK*	*North America*	*Total*	*UK*	*North America*	*Total*
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Group turnover	**30,637**	**4,442**	**35,079**	49,543	3,905	53,448
Profit before interest	**9,707**	**1,278**	**10,985**	2,677	891	3,568
Profit before taxation	**12,668**	**987**	**13,655**	2,174	682	2,856
Assets employed	**118,677**	**15,963**	**134,640**	111,670	13,115	124,785

3 Operating profit

By continuing and discontinued operations

	1999	1998		
	Continuing	*Continuing*	*Discontinued*	*Total*
	£'000	£'000	£'000	£'000
Turnover	**35,079**	41,360	12,088	53,448
Cost of sales	**(23,087)**	(27,972)	(9,469)	(37,441)
Gross profit	**11,992**	13,388	2,619	16,007
Administrative expenses	**(4,014)**	(3,225)	(918)	(4,143)
Other operating income	**(149)**	81	—	81
Operating profit	**7,829**	10,244	1,701	11,945

4 Loss on sale of discontinued operation

During the year ended 31 March 1998 the group sold its bingo operation for £3.7 million to a company formed by a management team with venture capital backing realising a loss on disposal of £8.8 million.

5 Profit on ordinary activities before taxation

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

	1999	1998
	£'000	£'000
Crediting:		
Income from listed investments	**138**	12
Exceptional write back of provisions	**3,704**	4,295
Charging:		
Depreciation (leased assets £55,000 (1998: £122,000))	**1,031**	2,000
Auditors' remuneration:		
Audit fees Group (including Company £32,000 (1998: £27,000))	**119**	116
Other services	**88**	97
Operating lease rental payments in respect of land and buildings	**419**	578

6 Interest receivable

	1999	1998
	£'000	£'000
Bank and other interest receivable	**3,184**	974
Currency translation differences	**339**	—
	3,523	974

Notes on the accounts
continued

7 **Interest payable**

	1999 £'000	1998 £'000
Bank loans and overdrafts	593	1,501
Other interest charges	40	19
Currency translation differences	—	166
	633	1,686

8 **Staff costs and directors' emoluments**

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

	1999 Number	1998 Number
Property, management and administration	18	19
Leisure (including approximately 60% part time)	426	922
Other	10	14
	454	955

The aggregate payroll costs of these persons were as follows:

	1999 £'000	1998 £'000
Wages and salaries	3,839	6,809
Social security costs	305	474
Other pension costs	250	446
	4,394	7,729

Directors' remuneration:

	1999 £'000	1998 £'000
Directors' emoluments	317	261
Amount paid to third party in respect of directors' services	15	13
	332	274

The aggregate of emoluments of the highest paid director was £154,000 *(1998: £151,000)*. 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 £99,000 *(1998: £82,000)*.

	Number of directors 1999	1998
Retirement benefits are accruing to the following number of directors under a defined benefit scheme	2	2

9 **Taxation**

	1999 £'000	1998 £'000
Corporation tax at 31% *(1998: 31%)* based on the profit for the year	(1,944)	(1,414)
Tax attributable to franked investment income	(22)	(2)
Deferred taxation	(1,077)	(257)
Adjustments in respect of prior years	(169)	180
Overseas tax	(72)	(101)
	(3,284)	(1,594)

10 Profit/(loss) for the financial year

	1999 £'000	1998 £'000
Dealt with in the accounts of the holding company	**18,739**	31,366
Retained by subsidiary undertakings	**(8,381)**	(30,131)
	10,358	1,235

11 Fixed assets: Property and other tangible assets

	Freehold property		*Leasehold property*		
Group:	*Investment* £'000	*Trading* £'000	*Short lease Trading* £'000	*Total property* £'000	*Other tangible assets* £'000
Cost or valuation:					
1 April 1998	36,270	18,828	1,126	56,224	8,416
Additions	—	183	88	271	1,040
Disposals	(259)	(3,222)	—	(3,481)	(1,067)
Translation difference	184	236	—	420	95
Deficit on revaluation	(115)	—	—	(115)	—
31 March 1999	**36,080**	**16,025**	**1,214**	**53,319**	**8,484**
Cost	—	10,487	523	11,010	8,484
Valuation	36,080	5,538	691	42,309	—
	36,080	**16,025**	**1,214**	**53,319**	**8,484**
Depreciation:					
1 April 1998	—	113	70	183	4,564
Charged in year	—	132	42	174	857
Disposals	—	(6)	—	(6)	(800)
Translation difference	—	1	—	1	9
31 March 1999	**—**	**240**	**112**	**352**	**4,630**
Net book value:					
1 April 1998	36,270	18,715	1,056	56,041	3,852
31 March 1999	**36,080**	**15,785**	**1,102**	**52,967**	**3,854**
Historical cost of items valued under the alternative accounting rules	24,766	3,286	1,165	29,217	—

Company:	*Freehold investment property* £'000	*Other tangible assets* £'000
Cost or valuation:		
1 April 1998	31,115	651
Additions	—	177
Disposals	—	(31)
Deficit on revaluation	(115)	—
31 March 1999	**31,000**	**797**
Cost	—	797
Valuation	31,000	—
	31,000	**797**
Depreciation:		
1 April 1998	—	510
Charged in year	—	51
Disposals	—	(15)
31 March 1999	**—**	**546**
Net book value:		
1 April 1998	31,115	141
31 March 1999	**31,000**	**251**
Historical cost of items valued under the alternative accounting rules	20,350	—

Notes on the accounts
continued

11 **Fixed assets: Property and other tangible assets** *(continued)*

Tangible fixed assets at 31 March 1999 have been included on the following bases:

— Investment properties have been valued on an open market basis as at 31 March 1999 using the relevant professional guidelines applicable to each country in which the property is located. The portfolio was valued by:

	Group By value £'000	*Company By value* £'000
DTZ Debenham Thorpe, International Property Advisers	13,000	13,000
Directors of group undertakings	23,080	18,000

— 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, impairment in value.

12 **Fixed assets: Investments in joint ventures**

	£'000
Group:	
At 1 April 1998	715
Additions	3,783
Distributions received	(18)
Share of earnings	48
Translation difference	27
At 31 March 1999	4,555

At 31 March 1998 and 31 March 1999 the group held a 50% limited partnership interest in Hy's at the Mountain, a Canadian Limited Partnership which operates a restaurant. The group accounts at 31 March 1998 treated this as an associated undertaking. Following the adoption of Financial Reporting Standard (FRS) 9—Associates and Joint Ventures, this investment is now classified as a joint venture and the 31 March 1998 comparative figures have been restated accordingly.

During the year the group entered into two further joint ventures, both in the USA. In August 1998 it purchased a 47.5% interest in Hill Creek Farms LLC, a limited liability company formed to develop and operate an almond orchard and vineyard in Northern California. In October 1998 it purchased a 37.5% interest in Liberty West Holdings LLC ("Liberty West"), a limited liability company formed to purchase and operate an office and retail property in Nevada. Further information, as required by FRS 9 is set out below:

	Group share of joint ventures £'000	*Group share of Liberty West* £'000
Turnover	1,150	576
Profit before and after taxation	48	74
Fixed assets	10,676	8,559
Current assets	856	432
Liabilities due within one year	649	125
Liabilities due after more than one year	6,328	6,328

None of the joint ventures are subject to corporate taxation. Tax is payable by the shareholders of the joint ventures on their share of income.

The liabilities due after one year shown for Liberty West are a bank mortgage loan secured on the property and without recourse to the group.

13 Fixed assets: Other investments

	Listed investments £'000	Investments in woodlands £'000	Other investments £'000	Total £'000
Group:				
Cost or market value				
1 April 1998	5,826	1,957	1,388	9,171
Additions	751	14	26	791
Disposals	(2,702)	—	(192)	(2,894)
Revaluation surplus	23	—	—	23
Translation difference	—	—	14	14
31 March 1999	**3,898**	**1,971**	**1,236**	**7,105**
Provisions				
1 April 1998	—	—	141	141
Provided in year	—	—	395	395
31 March 1999	**—**	**—**	**536**	**536**
Net book value:				
31 March 1998	5,826	1,957	1,247	9,030
31 March 1999	**3,898**	**1,971**	**700**	**6,569**

	Listed investments £'000	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Company:				
Cost or market value				
1 April 1998	5,826	40,845	972	47,643
Additions	751	—	25	776
Disposals	(2,702)	—	(118)	(2,820)
Revaluation surplus	23	—	—	23
31 March 1999	**3,898**	**40,845**	**879**	**45,622**
Provisions				
1 April 1998	—	3,085	141	3,226
Provided in year	—	856	395	1,251
31 March 1999	**—**	**3,941**	**536**	**4,477**
Net book value:				
31 March 1998	5,826	37,760	831	44,417
31 March 1999	**3,898**	**36,904**	**343**	**41,145**

Notes on the accounts
continued

14 **Subsidiary undertakings**

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

	Percentage of equity owned at 31 March 1999	*Country of registration/ incorporation*
Property		
Taylor Clark Properties Limited	100	Scotland
Taylor Clark International Limited	100	England
Taylor Clark Inc	100*	USA
Castlehill Properties Inc	100*	USA
TCI Reno 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		
Wylye Valley Farming Limited	100	England

**Owned by a subsidiary undertaking*

During the year the group formed Taylor Clark Inc. a US company incorporated in Delaware. Following a reorganisation Taylor Clark Inc. is now the intermediate holding company for the group's property and farming interests in the USA.

15 **Stocks**

	Group	
Stocks comprise:	**1999**	1998
	£'000	£'000
Leisure operations	**123**	125
Farm produce	**210**	564
	333	689

16 **Debtors**

	Group		*Company*	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Amounts due after one year				
Amounts owed by subsidiary undertakings	**—**	—	**25,450**	27,550
Amounts due within one year				
Trade debtors	**944**	377	**79**	—
Amounts owed by subsidiary undertakings	**—**	—	**2,208**	39,003
Corporation tax receivable	**97**	223	**2**	2
Advance corporation tax	**—**	121	**—**	118
Other debtors	**768**	1,430	**15**	114
Prepayments and accrued income	**332**	285	**208**	67
	2,141	2,436	**2,512**	39,304

17 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**3,599**	4,781	**—**	—
Trade creditors	**518**	1,052	**29**	26
Amounts owed to subsidiary undertakings	**—**	—	**12,030**	58,399
Other creditors including taxation and social security	**3,158**	1,779	**725**	228
Accruals and deferred income	**3,550**	2,156	**641**	1,077
Dividends	**487**	485	**487**	472
	11,312	10,253	**13,912**	60,202
Other creditors including taxation and social security comprise:				
Corporation tax	**2,480**	873	**454**	1
Advance corporation tax	**115**	121	**115**	118
Other taxes	**285**	305	**91**	42
Social security	**88**	56	**26**	25
Other creditors	**190**	424	**39**	42
	3,158	1,779	**725**	228

£3,599,000 (*1998: £4,781,000*) of the bank loans and overdrafts are secured by charges over certain of the group's fixed assets.

18 Creditors: amounts falling due after more than one year

	Group		Company	
	1999	1998	**1999**	1998
	£'000	£'000	**£'000**	£'000
Bank loans repayable between 2 and 5 years	**5,000**	10,000	**5,000**	10,000

The bank loan of £5,000,000 is repayable in April 2001 and the interest rate is fixed at 8.44%. It is secured by a charge over certain of the group's fixed assets.

19 Provisions for liabilities and charges

	Deferred taxation	*Other provision*	*Total*
Group	£'000	£'000	£'000
1 April 1998	648	1,234	1,882
Charged/(credited) to profit and loss account	1,077	(1,004)	73
Reclassified to current liabilities	—	(230)	(230)
Translation difference	27	—	27
31 March 1999	**1,752**	**—**	**1,752**

	Deferred taxation
Company	£'000
1 April 1998	—
Charged to profit and loss account	8
31 March 1999	8

Notes on the accounts
continued

19 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:

	1999		1998	
	Amount provided	*Full potential liability*	*Amount provided*	*Full potential liability*
	£'000	**£'000**	£'000	£'000
Accelerated capital allowances	**498**	**498**	254	254
Other timing differences	**1,254**	**1,254**	394	394
Revalued land and buildings	**—**	**148**	—	574
	1,752	**1,900**	648	1,222

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

20 Share capital

	Authorised	*Allotted, called up and fully paid*
	£'000	£'000
Ordinary shares of £1 each:		
31 March 1999 and 1998	**2,500**	**1,573**

21 Reserves

	Capital redemption reserve	*Revaluation reserves Investment Properties*	*Revaluation reserves Listed Investments*	*Profit and loss account*	*Total*
	£'000	£'000	£'000	£'000	£'000
Group					
1 April 1998	730	14,326	226	107,930	123,212
Profit for the year	—	—	—	9,399	9,399
(Decrease)/increase arising on revaluation	—	(115)	23	—	(92)
Realised on disposal	—	(60)	(52)	112	—
Currency translation difference	—	42	—	506	548
31 March 1999	**730**	**14,193**	**197**	**117,947**	**133,067**

	Capital redemption reserve	*Revaluation reserves Investment Properties*	*Revaluation reserves Listed Investments*	*Profit and loss account*	*Total*
	£'000	£'000	£'000	£'000	£'000
Company					
1 April 1998	730	10,764	226	84,228	95,948
Retained profit for the year	—	—	—	17,780	17,780
Increase/(decrease) arising on revaluation	—	(115)	23	—	(92)
Realised on disposal	—	—	(52)	52	—
31 March 1999	**730**	**10,649**	**197**	**102,060**	**113,636**

At 31 March 1999, the cumulative goodwill written off against group reserves amounted to £1,302,000 *(1998: £1,302,000).*

22 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	1999 £'000	1998 £'000
Group operating profit	7,829	11,945
(Profit) on sale of fixed tangible assets	(11)	—
(Profit) on sale of fixed asset investments	(21)	(106)
Depreciation charges	1,031	2,000
Amount provided against fixed asset investments	395	81
Currency translation differences	169	(103)
Decrease in stocks	356	116
Decrease/(increase) in debtors	269	(1,069)
Increase in creditors	375	2,633
(Increase)/decrease in property and developments	(4,122)	15,471
Decrease in other provision	(1,004)	—
Net cash inflow from operating activities	5,266	30,968

Returns on investments and servicing of finance

	1999 £'000	1998 £'000
Interest received	2,963	968
Interest paid	(600)	(1,653)
Net cash inflow/(outflow) for returns on investments and servicing of finance	2,363	(685)

Capital expenditure and financial investment

	1999 £'000	1998 £'000
Purchase of tangible fixed assets	(1,311)	(5,733)
Purchase of fixed asset investments	(790)	(5,761)
Proceeds from sales of tangible fixed assets	6,688	22,800
Proceeds from sales of fixed asset investments	2,915	429
Net cash inflow from capital expenditure and financial investment	7,502	11,735

Acquisitions and disposals

	1999 £'000	1998 £'000
(Costs)/proceeds from sale of subsidiary	(47)	3,602
Cash disposed of with subsidiary	—	(924)
Investments in joint ventures	(3,783)	(715)
Distributions received from joint ventures	18	—
Net cash (outflow)/inflow from acquisitions and disposals	(3,812)	1,963

Management of liquid resources

	1999 £'000	1998 £'000
Cash added to fixed deposits	(3,599)	(38,457)
Net cash outflow from management of liquid resources	(3,599)	(38,457)

Financing

	1999 £'000	1998 £'000
Debt due within a year		
Loans repaid	—	(2,116)
Debt due beyond a year		
Loan repaid	(5,000)	—
Net cash (outflow)/inflow from financing	(5,000)	(2,116)

Notes on the accounts

continued

22 Notes to the cash flow statement *(continued)*

Analysis of net funds

	1 April 1998 £'000	*Cash flow* £'000	*Exchange movement* £'000	*31 March 1999* £'000
Cash in hand and at bank	1,781	222	18	**2,021**
Overdrafts	(4,781)	1,182		**(3,599)**
		$\boxed{1,404}$		
Debt due after 1 year	(10,000)	5,000		**(5,000)**
Funds on deposit over one day	39,739	3,599	180	**43,518**
Total	26,739	10,003	198	**36,940**

Sale of subsidiary undertaking

	1999 **£'000**	1998 £'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

23 Commitments

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

	Group **1999** **£'000**	1998 £'000
Contracted	**1,149**	—

The group is committed to making payments of £419,000 (*1998: £412,000*) 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 £3,700,000 (1998: £5,080,000) 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.

24 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 1999 was £3,069,000 (*1998: £4,375,000*).

25 Pension costs

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

On 1 April 1998, following the disposal of Carlton Clubs plc, a number of employees who had been members of the Carlton Clubs pension scheme (see below) became members of the Group Scheme. It is intended that (subject to their consent) these employees will transfer their deferred benefits from the Carlton Clubs scheme to the Group Scheme. The transfer value relating to these employees has been agreed and the trustees of the Group Scheme are currently considering the best way to apply this transfer value.

Since 1 April 1998 the Group Scheme covers employees of all UK 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 in policies in the form of with-profit deferred annuities issued through a major life insurance office.

The most recent valuation of the scheme was at 1 April 1998. The main assumption applied was that investment returns would exceed earnings increases by 2% per annum. The scheme is fully funded with a final salary funding ratio of 102%.

The pension charge for the year was £251,000 *(1998: £136,000)*. 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% *(1998: 15%)* of total pensionable salary. The employees contribute an additional 4% *(1998: 4%)*.

Carlton Clubs plc Retirement and Death Benefits Scheme (Carlton Clubs scheme)

During the year Carlton Clubs plc replaced Taylor Clark Leisure plc as the principal employer of this scheme. Employees of Caledonian Cinemas Limited, Littlejohn's Restaurants (U.K.) Limited and Caledonian Nightclubs Limited were members of this scheme until 31 March 1998 but transferred to the Group Scheme on 1 April 1998.

Notes on the accounts
continued

26 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	**1999 £'000**	1998 £'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		**408**	401
Directors of Taylor Clark plc		**143**	177
Amounts due from The Underwood Trust at 31 March		**—**	9
Fees paid to Richards Butler	2	**3**	105

Sub notes

1 At 31 March 1999, The Underwood Trust held 680,300 ordinary shares *(1998: 680,300)* representing in aggregate 43.3% *(1998: 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. Mr C Clark served as a trustee up to his resignation on 31 March 1999.

2 Mr R E Towner, a director of Taylor Clark plc, is a consultant to Richards Butler, solicitors.

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

Financial record

for the years ended 31 March

	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000	1994 £'000
Balance sheet						
Fixed assets						
Property	**52,967**	56,041	102,481	107,096	108,204	83,012
Other tangible assets	**3,854**	3,852	7,649	8,438	8,119	4,593
Investments	**11,124**	9,745	3,454	3,700	3,077	3,373
Net current assets	**73,814**	67,383	26,084	6,185	3,915	19,426
Other liabilities and provisions	**(6,752)**	(11,882)	(15,469)	(6,525)	(6,543)	(1,102)
Minority interests	**(367)**	(354)	(341)	(325)	(227)	(214)
Net assets	**134,640**	124,785	123,858	118,569	116,545	109,088
Capital and reserves						
Called up share capital	**1,573**	1,573	1,573	1,573	1,573	1,573
Revaluation reserve	**14,390**	14,552	33,442	32,568	30,142	28,175
Other reserves	**118,677**	108,660	88,843	84,428	84,830	79,340
Equity shareholders' funds	**134,640**	124,785	123,858	118,569	116,545	109,088
Turnover and profits						
Turnover	**35,079**	53,448	35,958	33,704	25,871	24,387
Profit/(loss) after taxation	**10,371**	1,262	5,170	(1,763)	3,446	5,529
Dividends	**(959)**	(944)	(928)	(409)	(881)	(865)

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 Bisset Douglas Boyd* Ron Farquharson John Loughray* Gavin MacKenzie
Wylye Valley Farming Limited	Andrew Clark John Coates* Antony Cox
Taylor Clark Inc	Andrew Macdonald* Ralph Wintrode* *Managers* Crawford International Inc

*Non-executive

Principal offices

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Inverness	Highland Rail House, Station Square, Inverness IV1 1LE Telephone: 01463 718888 Fax: 01463 718180
California	c/o Crawford International Inc 2082 Business Center Drive, Suite 150 Irvine, California 92715 Telephone: 001 949 833 3525 Fax: 001 949 833 2159

KPMG

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Auditors' report to the members of Contracts International Limited

We have audited the financial statements on pages 5 to 9.

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 a true and fair view of the state of the company's affairs as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

20 July 1999