Annual report
for the year ended 31 March 1997

340727

Contents

Directors and advisers

Directors	R Clark FCA *Chairman and Chief Executive*
	*S J Titcomb FCA *Deputy Chairman*
	*Mrs P A H Clark
	R J Harvey
	*S J Roberts MA
	*R E Towner MA
	*Non-executive
Secretary	J A Dippie FCA
Audit Committee	S J Titcomb FCA *Chairman*
	R E Towner MA
	R Clark 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 pleased to announce that the group made a profit before taxation of £6.7 million.

Taylor Clark UK Holdings Limited
Property investment activities produced an acceptable total return in line with expectations.

Taylor Clark Properties Limited
All development projects have been completed and the retail properties leased to household names Laura Ashley, Lillywhites and New Look. We hope shortly to conclude the letting of the new office building in Golden Square, the only vacant property. These completed developments are expected to be sold during the current year. It is planned to commence work on phases 2 and 3 of the Aqueous office development at Waterlinks, Birmingham as soon as building contracts are finalised.

Wylye Valley Farming Limited
All farms performed well in terms of physical production. Product prices were however lower than the preceding year. Prices for the current year are again uncertain.

Taylor Clark Leisure plc
During the year this division was separated into three independent subsidiaries, Carlton Clubs PLC (Bingo), Caledonian Cinemas Limited (Cinemas) and Littlejohn's Restaurants (UK) Limited (Restaurants). Bingo continued to suffer from the National Lottery. Cinemas lacked good films to exhibit but new releases should improve this year's performance. Restaurants performed well and a new unit is scheduled to open in Edinburgh in the autumn.

Taylor Clark International Limited
Castlehill Holdings Inc has sold its residential investment in Atlanta profitably and reinvested the proceeds in building two Marriott franchised hotels in Stockton, California. The hotels which will be managed for the company by RIM Corporation, will open this autumn and initial interest in bookings is strong.

Castlehill Vineyard in the Lodi-Woodbridge area produced a good first harvest in line with forecast.

Following major reconstruction works the company's retail building in Post Street, San Francisco has been leased to Diesel Jeans as their West Coast flagship.

Work is progressing well on the 4.5 acre mixed use retail and residential development in Frisco, Colorado carried out in association with a local developer. Initial lettings and sales are encouraging.

Jim Titcomb
Jim will be retiring at the Annual General Meeting. I would like to thank him for the major contribution he has made to the management of the group during the time he has served as Deputy Chairman. His advice on Corporate Governance and Pension Fund matters was especially valuable.

Clearly a much better year and it is a great pleasure for me to thank all staff, managers, directors and advisers in such circumstances.

Robin Clark
23 July 1997

Report of the directors

The directors have pleasure in submitting their annual report, together with the financial statements for the year ended 31 March 1997.

Activities

The principal activities of Taylor Clark plc ('the company') and its subsidiary undertakings remain property development and investment. In addition the group owns a substantial leisure division based mainly in Scotland, and farms and commercial woodlands in Wiltshire and Inverness-shire.

Results and dividends

As shown by the consolidated profit and loss account the profit for the financial year amounted to £5,154,000 *(1996: loss £1,851,000)*. After deducting £928,000 *(1996: £409,000)* for dividends paid and proposed, a retained profit of £4,226,000 *(1996: loss £2,260,000)* has been transferred to reserves.

On 14 November 1996 an interim dividend of 30p pence per share *(1996: 26 pence per share)* was paid. The directors recommend the payment of a final dividend of 29 pence per share *(1996: nil)* making a total for the year of 59 pence per share *(1996: 26 pence per share)*.

Fixed assets

Additions to tangible fixed assets during the year totalled £5,731,000 of which £4,247,000 represented the acquisition of freehold and long leasehold properties. The group's investment properties have been valued on an open market basis at 31 March 1997. Of the portfolio £45,905,000 (68%) was valued by external valuers and £21,702,000 (32%) was valued by the directors of the subsidiary undertaking which owns the property. The valuations resulted in a £1,942,000 (3.0%) overall increase in the carrying value of the investment property portfolio.

Directors

The directors in office at the date of this report are set out on page 2.
Mr A V C Astley served as a director up to his retirement on 7 August 1996.

The interests of the directors in the ordinary £1 shares of the company at 1 April 1996 and 31 March 1997 are listed below:

	31 March 1997		1 April 1996	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Robin Clark	**118,909**	720,300	163,509	720,300
Mrs P A H Clark	**118,909**	720,300	102,309	720,300
S J Roberts	61,450	—	48,950	—

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 1996 and 31 March 1997 Mr Harvey, Mr Titcomb 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 *(1996: 680,300)* ordinary shares of £1 each, representing 43.3% *(1996: 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 1997 and amounts owed to its trade creditors at the end of the year was 16 days.

Donations

The group made no contributions for political purposes during the year. Donations amounting to £nil *(1996: £1,000)* were made for charitable purposes.

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.
23 July 1997

Corporate governance

Although not a requirement for unlisted companies the board has considered the application of The Cadbury Committee Code of Best Practice on the Financial Aspects of Corporate Governance ('the Code') within the company. Whilst not complying fully with all aspects of the Code, the directors believe that the company does comply with those aspects which are important to a company where the shareholders are closely involved with the company's affairs.

The Board has an Audit Committee with a majority of non-executive directors which has specific terms of reference. The Audit Committee meets at least twice a year with the group's external auditors and its function is to ensure that the highest standards of integrity, financial reporting and internal control are maintained throughout the group. Full minutes of the Audit Committee are circulated to the Board.

Statement of directors' responsibilities

Preparation of financial statements

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.

Internal financial controls

The directors acknowledge their responsibility for the group's systems of internal financial control and for monitoring their effectiveness. They recognise that such systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the internal control systems operated throughout the year are:

- an appropriate organisational structure with clear lines of responsibility and delegated authorities;
- identification and evaluation of the major risks faced by the group and the establishment by the directors of the procedures deemed necessary to monitor these;
- financial reporting procedures based on an annual budget with regular reporting of actual performance, variance analysis and revised forecasts;
- an audit committee which reviews the effectiveness of the overall control framework. It receives reports from the boards of principal subsidiary undertakings, the internal auditors of the Leisure companies and the external auditors.

The directors have reviewed the effectiveness of the above-mentioned controls.

Going concern

After making enquiries the directors believe that the company has sufficient resources to meet all operational needs for the foreseeable future, and they therefore continue to adopt the going concern basis in preparing the accounts.

Report of the auditors

To the Members of Taylor Clark plc

We have audited the financial statements on pages 9 to 26.

Respective responsibilities of directors and auditors

As described on page 7 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 1997 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
23 July 1997

Consolidated profit and loss account

for the year ended 31 March 1997

	Note	1997 £'000	1996 £'000
Turnover	2	35,958	33,704
Cost of sales (including in 1996 £4,229,000 exceptional write down of trading properties)		(23,282)	(29,315)
Gross profit		12,676	4,389
Administrative expenses		(4,163)	(3,847)
Other operating income		443	252
Operating profit		8,956	794
(Losses)/gains realised on property disposals		(156)	39
Amounts written off investment properties		(16)	(70)
Profit before interest		8,784	763
Net interest payable	4	(2,061)	(1,374)
Profit/(loss) on ordinary activities before taxation	2,3	6,723	(611)
Taxation	6	(1,553)	(1,152)
Profit/(loss) on ordinary activities after taxation		5,170	(1,763)
Minority interests		(16)	(88)
Profit/(loss) for the financial year	7	5,154	(1,851)
Dividends			
Paid		(472)	(409)
Proposed		(456)	—
Profit/(loss) for the year transferred to reserves		4,226	(2,260)

A statement of the reserves is given in note 17.

The notes referred to above form part of these accounts.

Group statement of total recognised gains and losses

for the year ended 31 March 1997

	1997 £'000	1996 £'000
Profit/(loss) for the financial year	5,154	(1,851)
Unrealised surplus on revaluation of properties	1,948	3,467
Currency translation difference on foreign currency net assets	(885)	817
Other recognised gains and losses	1,063	4,284
Total recognised gains and losses	6,217	2,433

Note of historical cost profits and losses

for the year ended 31 March 1997

	1997 £'000	1996 £'000
Reported profit/(loss) on ordinary activities before taxation	6,723	(611)
Realisation of property revaluation gains of previous years	1,047	1,041
Historical cost profit on ordinary activities before taxation	7,770	430
Historical cost profit/(loss) for the year retained after taxation, minority interests and dividends	5,273	(1,219)

Group reconciliation of movements in shareholders' funds

for the year ended 31 March 1997

	1997 £'000	1996 £'000
Profit/(loss) for the financial year	5,154	(1,851)
Dividends paid and proposed	(928)	(409)
Profit/(loss) for the year transferred to reserves	4,226	(2,260)
Other recognised gains and losses	1,063	4,284
Net movement in shareholders' funds	5,289	2,024
Opening balance of shareholders' funds	118,569	116,545
Closing balance of shareholders' funds	123,858	118,569

Group balance sheet

at 31 March 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Property	8	102,481	107,096
Other tangible assets	8	7,649	8,438
Investments	9	3,454	3,700
		113,584	119,234
Current assets			
Property and developments		36,268	31,253
Stocks	11	1,131	1,122
Debtors	12	2,336	3,142
Cash at bank and in hand		6,238	4,402
		45,973	39,919
Creditors: amounts falling due within one year	13	(19,889)	(33,792)
Net current assets		26,084	6,127
Total assets less current liabilities		139,668	125,361
Creditors: amounts falling due after more than one year	14	(13,750)	(4,750)
Provisions for liabilities and charges	15	(1,719)	(1,717)
Equity minority interests		(341)	(325)
Net assets		123,858	118,569
Capital and reserves			
Called up share capital	16	1,573	1,573
Capital redemption reserve	17	730	730
Revaluation reserve	17	33,442	32,568
Profit and loss account	17	88,113	83,698
Equity shareholders' funds		123,858	118,569

Approved by the Board on 23 July 1997

R Clark
R J Harvey *Directors*

Robin Clark

RHarvey

The notes referred to above form part of these accounts.

Consolidated cash flow statement

for the year ended 31 March 1997

	1997 £'000	1996 restated £'000
Net cash inflow/(outflow) from operating activities	1,289	(7,570)
Returns on investments and servicing of finance	(1,673)	(1,475)
Taxation	(1,266)	(1,256)
Capital expenditure and financial investment	4,855	(1,853)
Equity dividends paid	(472)	(881)
Cash inflow/(outflow) before use of liquid resources and financing	2,733	(13,035)
Management of liquid resources	1,365	(1,826)
Financing: increase/(decrease) in debt	10,340	(1,000)
Increase/(decrease) in cash	14,438	(15,861)

Reconciliation of net cash flow to movement in net debt

	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Increase/(decrease) in cash in the year	14,438		(15,861)	
Cash (inflow)/outflow from movement in debt	(10,340)		1,000	
Cash (inflow)/outflow from movement in liquid resources	(1,365)		1,826	
Change in net debt resulting from cash flows		2,733		(13,035)
Translation difference		(230)		98
Movement in net debt in the year		2,503		(12,937)
Net debt at 1 April 1996		(21,178)		(8,241)
Net debt at 31 March 1997		(18,675)		(21,178)

Further information concerning the consolidated cash flow statement is given in note 18 which forms part of these accounts.

Company balance sheet

at 31 March 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Property	8	218	218
Other tangible assets	8	136	180
Investments	9	50,558	34,112
		50,912	34,510
Current assets			
Debtors due after one year	12	27,280	12,500
Debtors due within one year	12	9,249	1,933
Cash at bank and in hand		13	538
		36,542	14,971
Creditors: amounts falling due within one year	13	(21,347)	(1,591)
Net current assets		15,195	13,380
Total assets less current liabilities		66,107	47,890
Creditors: amounts falling due after more than one year	14	(10,000)	—
Net assets		56,107	47,890
Capital and reserves			
Called up share capital	16	1,573	1,573
Capital redemption reserve	17	730	730
Profit and loss account	17	53,804	45,587
Equity shareholders' funds		56,107	47,890

Approved by the Board on 23 July 1997

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 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 1997. Results of subsidiary undertakings acquired during the year are included from the date of acquisition.

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.

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.

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.

Investments

Listed and unlisted 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

These are stated at the lower of cost and market value.

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.

Notes on the accounts
continued

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

1997	*Property* £'000	*Leisure* £'000	*Other* £'000	*Total* £'000
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
1996				
Turnover	8,545	23,499	1,660	33,704
Profit/(loss) before interest	3,877	(3,655)	541	763
Profit/(loss) before taxation	3,296	(4,454)	547	(611)
Assets employed	87,872	17,598	13,099	118,569

By geographical market (by destination and origin)	1997 *UK* £'000	1997 *USA* £'000	1997 *Total* £'000	1996 *UK* £'000	1996 *USA* £'000	1996 *Total* £'000
Turnover	34,877	1,081	35,958	30,013	3,691	33,704
Profit/(loss) before interest	8,449	335	8,784	(10)	773	763
Profit/(loss) before taxation	6,248	475	6,723	(1,295)	684	(611)
Assets employed	111,008	12,850	123,858	106,127	12,442	118,569

3 Profit/(loss) on ordinary activities before taxation

The profit/(loss) before taxation is arrived at after crediting and charging the following:

	1997 £'000	1996 £'000
Crediting:		
Income from listed investments	3	33
Charging:		
Depreciation (leased assets £99,000 (1996: £82,000))	2,038	1,879
Auditors' remuneration:		
Audit fees Group (including Company £26,000 (1996: £26,000))	108	98
Other services	80	81
Operating lease rental payments in respect of land and buildings	606	599
Write down in value of trading properties	—	4,229

4 Net interest payable

	1997 £'000	1996 £'000
Bank and other interest receivable	274	167
Interest payable:		
Bank loans and overdrafts	(2,082)	(1,624)
Other interest charges	(150)	(12)
Currency translation differences	(103)	95
	(2,061)	(1,374)

5 Staff costs and directors' emoluments

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

	1997 Number	1996 Number
Property, management and administration	20	21
Leisure (including approximately 60% part time)	1,029	1,038
Other	14	14
	1,063	1,073

The aggregate payroll costs of these persons were as follows:

	1997 £'000	1996 £'000
Wages and salaries	7,267	7,523
Social security costs	492	509
Other pension costs	496	408
	8,255	8,440

Notes on the accounts
continued

5 Staff costs and directors' emoluments *(continued)*
Directors' remuneration:

	1997	1996
	£'000	£'000
Directors' emoluments	256	287
Amount paid to third party in respect of directors' services	14	—
	270	287

The aggregate of emoluments of the highest paid director was £99,000, *(1996: £97,000)*. 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 £57,000.

	Number of directors	
	1997	1996
Retirement benefits are accruing to the following number of directors under a defined benefit scheme	2	2

6 Taxation

	1997	1996
	£'000	£'000
Corporation tax at 33% *(1996: 33%)* based on the profit for the year	(1,651)	(890)
Tax attributable to franked investment income	—	(7)
Deferred taxation	208	(30)
Adjustments in respect of prior years	404	(10)
Overseas tax	(514)	(215)
	(1,553)	(1,152)

7 Profit/(loss) for the financial year

	1997	1996
	£'000	£'000
Dealt with in the accounts of the holding company	9,145	8,041
Retained by subsidiary undertakings	(3,991)	(9,892)
	5,154	(1,851)

8 Fixed assets: Property and other tangible assets

Group:	Freehold property Investment £'000	Freehold property Trading £'000	Leasehold property Long lease Investment £'000	Leasehold property Short lease Trading £'000	Total property £'000	Other tangible assets £'000
Cost or valuation:						
1 April 1996	74,518	29,069	218	3,332	107,137	17,251
Additions	1,537	2,710	—	—	4,247	1,484
Disposals	(10,083)	(147)	—	—	(10,230)	(579)
Translation difference	(509)	(58)	—	—	(567)	(99)
Reclassification and transfer	(16)	39	—	2	25	(90)
Surplus on revaluation	1,942	6	—	—	1,948	—
31 March 1997	67,389	31,619	218	3,334	102,560	17,967
Cost	—	10,287	—	—	10,287	17,967
Valuation	67,389	21,332	218	3,334	92,273	—
	67,389	31,619	218	3,334	102,560	17,967
Depreciation:						
1 April 1996	—	41	—	—	41	8,813
Charged in year	—	7	—	31	38	2,000
Disposals	—	—	—	—	—	(495)
31 March 1997	—	48	—	31	79	10,318
Net book value:						
1 April 1996	74,518	29,028	218	3,332	107,096	8,438
31 March 1997	67,389	31,571	218	3,303	102,481	7,649
Historical cost of items valued under the alternative accounting rules	43,923	13,911	218	2,612	60,664	—

Tangible fixed assets at 31 March 1997 have been included on the following bases:

— Investment properties have been valued on an open market basis as at 31 March 1997 using the relevant professional guidelines applicable to each country in which the property is located. The portfolio was valued by:

	By value £'000
DTZ Debenham Thorpe, International Property Advisers	45,905
Directors of subsidiary undertakings	21,702

— 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.

Company:	Long leasehold property £'000	Other tangible assets £'000
Cost:		
1 April 1996	218	604
Additions	—	31
Disposals	—	(4)
31 March 1997	218	631
Depreciation:		
1 April 1996	—	424
Charged in year	—	75
Disposals	—	(4)
31 March 1997	—	495
Net book value:		
1 April 1996	218	180
31 March 1997	218	136

Notes on the accounts
continued

9 Fixed assets: Investments

	Listed investments £'000	Investments in woodlands £'000	Other investments £'000	Total £'000
Group:				
1 April 1996	112	1,903	1,685	3,700
Additions	—	55	251	306
Disposals	(12)	—	(495)	(507)
Translation difference	—	—	(45)	(45)
31 March 1997	**100**	**1,958**	**1,396**	**3,454**

	Listed investments £'000	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Company:				
1 April 1996	112	33,223	777	34,112
Additions	—	16,207	251	16,458
Disposals	(12)	—	—	(12)
31 March 1997	**100**	**49,430**	**1,028**	**50,558**

Additions to shares in subsidiary undertakings of £16,207,000 comprises shares transferred from Taylor Clark Leisure plc at book value of £11,943,000, the conversion to equity of £2,675,000 of loans also acquired from Taylor Clark Leisure plc and the subscription in cash of £1,589,000 for further equity in the subsidiaries acquired.

The listed investments are listed on The London Stock Exchange. Their market value at 31 March 1997 was £132,000 (*1996: £138,000*).

10 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 1997	*Country of registration/ incorporation*
Property		
Taylor Clark UK Holdings Limited	100	England
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		
Taylor Clark Leisure plc	100	Scotland
Carlton Clubs plc (formerly CAC Leisure PLC)	100	Scotland
Fairworld Bingo Clubs Limited	100*	England
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 cinema activities of Carlton Clubs plc were transferred to a previously dormant subsidiary Scottish Central Finance Limited, which subsequently changed its name to Caledonian Cinemas Limited.

11 Stocks

Stocks comprise:	Group 1997 £'000	Group 1996 £'000
Leisure operations	496	550
Farm produce	635	572
	1,131	1,122

12 Debtors

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Amounts due after one year				
Amounts owed by subsidiary undertakings	—	—	27,280	12,500
Amounts due within one year				
Trade debtors	620	1,031	—	—
Amounts owed by subsidiary undertakings	—	—	8,917	1,633
Corporation tax receivable	204	113	1	3
Advance corporation tax	114	179	114	179
Other debtors	603	921	189	96
Prepayments and accrued income	795	898	28	22
	2,336	3,142	9,249	1,933

13 Creditors: amounts falling due within one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Bank loans and overdrafts	11,163	20,830	—	—
Trade creditors	2,142	2,193	33	27
Amounts owed to subsidiary undertakings	—	—	20,453	1,442
Other creditors including taxation and social security	3,269	3,556	154	33
Accruals and deferred income	2,859	7,213	251	89
Dividends	456	—	456	—
	19,889	33,792	21,347	1,591
Other creditors including taxation and social security comprise:				
Corporation tax	1,694	1,287	—	—
Advance corporation tax	114	—	114	—
Other taxes	988	835	—	4
Social security	105	106	35	27
Other creditors	368	1,328	5	2
	3,269	3,556	154	33

£11,163,000 (*1996: £20,830,000*) of the bank loans and overdrafts are secured by charges over certain of the group's fixed assets.

Notes on the accounts
continued

14 Creditors: amounts falling due after more than one year

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Bank loans	13,750	4,750	10,000	—

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Bank loans repayable				
between 1 and 2 years	1,000	1,000	—	—
between 2 and 5 years	12,750	3,750	10,000	—
	13,750	4,750	10,000	—

One bank loan is repayable in quarterly instalments over a period of six years beginning in January 1996. Interest is charged at LIBOR plus 1% and has been capped at 10%. This is secured by fixed and floating charges over the assets of the Leisure companies.

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.

15 Provisions for liabilities and charges

	Deferred taxation £'000	*Other provision* £'000	*Total* £'000
1 April 1996	717	1,000	1,717
(Credited)/charged to profit and loss account	(208)	234	26
Translation difference	(24)	—	(24)
31 March 1997	485	1,234	1,719

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

	1997 *Amount provided* £'000	1997 *Full potential liability* £'000	1996 *Amount provided* £'000	1996 *Full potential liability* £'000
Accelerated capital allowances	373	373	335	335
Other timing differences	112	112	382	382
Revalued land and buildings	—	5,271	—	4,029
	485	5,756	717	4,746

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

16 Share capital

	Authorised	Allotted, called up and fully paid
	£'000	£'000
Ordinary shares of £1 each:		
31 March 1997 and 1996	2,500	1,573

17 Reserves

	Capital redemption reserve	*Revaluation reserve*	*Profit and loss account*	*Total*
	£'000	£'000	£'000	£'000
Group:				
1 April 1996	730	32,568	83,698	116,996
Profit for the year	—	—	4,226	4,226
Surplus arising on revaluation of property	—	1,948	—	1,948
Realised on disposal	—	(1,047)	1,047	—
Currency translation difference	—	(27)	(858)	(885)
31 March 1997	730	33,442	88,113	122,285

	Capital redemption reserve	*Profit and loss account*	*Total*
	£'000	£'000	£'000
Company:			
1 April 1996	730	45,587	46,317
Retained profit for the year	—	8,217	8,217
31 March 1997	730	53,804	54,534

At 31 March 1997, the cumulative goodwill written off against group reserves amounted to £1,545,000 *(1996: £1,500,000).*

Notes on the accounts
continued

18 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1997 £'000	1996 £'000
Operating profit	8,956	794
(Profit)/loss on sale of fixed tangible assets	(85)	73
(Profit) on sale of fixed asset investments	(142)	(47)
Depreciation charges	2,038	1,879
Write down of trading properties	—	4,229
Currency translation differences	(271)	91
Amounts written off investment properties	140	70
(Increase) in stocks	(9)	—
Decrease/(increase) in debtors	949	(446)
(Decrease)/increase in creditors	(5,506)	7,344
(Increase) in property and developments	(5,015)	(23,337)
Decrease in current asset investments	—	780
Increase in other provision	234	1,000
Net cash inflow/(outflow) from operating activities	1,289	(7,570)

Returns on investments and servicing of finance		
Interest received	267	185
Interest paid	(1,940)	(1,660)
Net cash (outflow) for returns on investments and servicing of finance	(1,673)	(1,475)

Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,731)	(3,918)
Purchase of fixed asset investments	(306)	(759)
Proceeds from sales of tangible fixed assets	10,243	2,594
Proceeds from sales of fixed asset investments	649	230
Net cash inflow/(outflow) for capital expenditure and financial investment	4,855	(1,853)

Management of liquid resources		
Cash withdrawn from/(added to) fixed deposits	1,365	(1,826)
Net cash inflow/(outflow) from management of liquid resources	1,365	(1,826)

Financing		
Debt due within a year		
Increase in short term borrowing	1,340	—
Repayment of secured loan	(1,000)	(1,000)
Debt due beyond a year		
New secured loans repayable 2001	10,000	—
Net cash inflow/(outflow) from financing	10,340	(1,000)

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

Analysis of net debt

	At 1 April 1996 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movement £'000	31 March 1997 £'000
Cash in hand, at bank	1,526	3,431	—	(26)	4,931
Overdrafts	(19,830)	11,007	—	—	(8,823)
		14,438			
Debt due after 1 year	(4,750)	(10,000)	1,000	—	(13,750)
Debt due within 1 year	(1,000)	(340)	(1,000)	—	(2,340)
		(10,340)			
Funds on deposit over one day	2,876	(1,365)	—	(204)	1,307
Total	(21,178)	2,733	—	(230)	(18,675)

19 Commitments

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

	Group 1997 £'000	1996 £'000
Contracted	13	—

The group is committed to making payments of £617,000 (*1996: £601,000*) in the next financial year in respect of operating leases for land and buildings in which the commitment exceeds five years.

20 Contingent liabilities

The company together with certain of its fellow group undertakings, has a group overdraft facility with its bankers. In connection with this group overdraft facility 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 1997 was £5,114,000 (*1996: £14,574,000*).

21 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

This covers employees of Taylor Clark plc and Wylye 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 £155,000 *(1996: £149,000)*. 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 19% *(1996: 19%)* of total pensionable salary. The employees contribute an additional 4% *(1996: 4%)*.

Notes on the accounts
continued

21 Pension costs *(continued)*

Taylor Clark Leisure plc Retirement and Death Benefit Scheme
This covers employees of the Leisure subsidiaries. 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 most recent valuation of the scheme was at 1 April 1996. The main assumption applied was that investment returns would exceed earnings increases by 2% per annum. The actuarial valuation of the scheme showed that the market value of the assets was £2,189,757 and that the actuarial valuation of those assets represented 91% of the benefits accrued to members, after allowing for expected future increases in pay.

The pension charge for the year was £341,000 *(1996: £259,000)*. There were no outstanding contributions at either the beginning or end of the year. Prepaid contributions at the end of the financial year were £80,000 *(1996: £120,000)*. The contribution of the group for the schemes was 14.5% *(1996: 14.5%)* of total pensionable salary. The employees contribute an additional 4% *(1996: 4%)*.

22 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	1997 £'000
Management charge to The Underwood Trust, in respect of services provided by the group	1	15
Dividends paid by Taylor Clark plc and received in a beneficial capacity by:		
The Underwood Trust		204
Directors of Taylor Clark plc		92
Amounts due from The Underwood Trust at 31 March 1997		8

Sub notes

1 At 31 March 1997, The Underwood Trust held 680,300 ordinary shares *(1996: 680,300)* representing in aggregate 43.3% *(1996: 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 Clark and his family and Mr C Clark are the ultimate controlling parties of the group.

23 Post balance sheet events

Since 31 March 1997 the group has sold two development properties for total proceeds of £14,530,000.

Financial record

for the years ended 31 March

	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000	1992 £'000
Balance sheet						
Fixed assets						
Property	102,481	107,096	108,204	83,012	77,898	84,756
Other tangible assets	7,649	8,438	8,119	4,593	3,844	3,928
Investments	3,454	3,700	3,077	3,373	2,608	2,600
Net current assets	26,084	6,185	3,915	19,426	18,458	18,153
Other liabilities and provisions	(15,469)	(6,525)	(6,543)	(1,102)	(3,918)	(4,621)
Minority interests	(341)	(325)	(227)	(214)	(123)	(130)
Net assets	123,858	118,569	116,545	109,088	98,767	104,686
Capital and reserves						
Called up share capital	1,573	1,573	1,573	1,573	1,573	1,573
Revaluation reserve	33,442	32,568	30,142	28,175	15,662	24,658
Other reserves	88,843	84,428	84,830	79,340	81,532	78,455
Equity shareholders' funds	123,858	118,569	116,545	109,088	98,767	104,686
Turnover and profits						
Turnover	35,958	33,704	25,871	24,387	24,019	23,015
Profit/(loss) after taxation	5,170	(1,763)	3,446	5,529	2,221	(4,306)
Dividends	(928)	(409)	(881)	(865)	(802)	(315)

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	Christopher Barr Catriona Bissett George Carter James Davidson Brian King John Loughray* Peter Perrins
Wylye Valley Farming Limited	Andrew Clark John Coates* Antony Cox David Snow
Castlehill Holdings Inc	Andrew Macdonald* Ralph Wintrode* *Managers* Crawford International Inc

*Non-executive

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Inverness	PO Box 21, Huntly Street, Inverness IV1 1LA Telephone: 01463 237 611 Facsimile: 01463 223 637
Wylye	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: 001 714 833 3525 Facsimile: 001 714 833 2159