

# Annual report

for the year ended 31 March 2006

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Taylor Clark plc  
340727

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## Directors and advisers

Directors	*D T Boyd OBE CA
	*A R Clark
	J A Dippie FCA <i>Finance</i>
	R J Harvey <i>Chief Operating Officer</i>
	*R E Towner MA
	*Non-executive
Secretary	J A Dippie FCA
Registered and Head Office	32 Haymarket, London, SW1Y 4TP Telephone: 020 7930 8494 Fax: 020 7930 5575 Email: mail@taylorclark.co.uk
California Office	c/o Crawford International Inc 833 Dover Drive, Suite 14 Newport Beach, CA 92663 Telephone: 001 949 722 0125 Fax: 001 949 722 0151
Auditors	KPMG LLP
Principal Bankers	Clydesdale Bank PLC
Registered number	340727
Date of Incorporation	27 May 1938

# Report of the directors

The directors have pleasure in submitting their annual report, together with the financial statements for the year ended 31 March 2006.

## Group activities

The main activities of the Group, which are in the UK and North America, continue to be property investment and development, hotels, farming and investment in financial markets.

## Business review

The objective of the Group is to deliver long term capital growth and provide an income stream sufficient to pay regular dividends to shareholders. We aim to achieve this by investment in property and financial markets in the UK and North America without taking excessive risks. The main risks the Group faces are therefore movements in property and financial markets. Additional risks are changes in US dollar and sterling interest rates and fluctuations in the exchange rate between US dollars and sterling. These risks are monitored and controlled by regular review of the investment portfolio to which we refer below.

To avoid creating a large head office overhead the company employs a minimum number of staff. Consequently extensive use is made of outside professionals, the majority of whom we have known and worked with for many years.

The year ended 31 March 2006 has been exceptionally good, with both property and financial markets showing big increases in value. Group net assets have increased from £146.3m at 31 March 2005 to £168.6m at 31 March 2006. The increase in value for the year is £23.4m (after adding back the £1.1m of dividends paid to shareholders during the year) which represents 16% of the opening net assets. This is the largest increase since 1985 when the Group's holding in The Stock Conversion and Investment Trust plc was sold.

In order to balance the different activities carried out by the Group the Board sets limits on the funds allocated to individual activities. The Board has an asset allocation committee which is chaired by an independent consultant. The committee meets several times a year and recommends a target allocation to the Board, after taking into account current and anticipated market conditions. By way of illustration the current target ranges are as follows:

Category	Target range (% of Group assets)
UK investment property	15%-25%
UK development property	15%-25%
North American portfolio	15%-25%
Financial investments	25%-50%
Cash and "near" cash	10%-20%

## UK investment property

At 31 March 2005 and 2006 Taylor Clark plc owned 32 Haymarket, London SW1 (principally offices with some retail and residential) and the property comprising 6-20 Longmarket/48-51 Burgate, Canterbury (principally retail). Together these two properties are valued at £26.8m (2005: £24.4m) and represent 14% of Group assets at 31 March 2006. During

# Report of the directors

continued

the year two office properties in Worcester were sold generating a profit of £1.8m for 2005/06 and realising revaluation gains booked in previous years of £4.4m.

A number of investments in listed and unlisted property funds have also been made. We have a 10% interest in the Ashtenne t3 partnership which sold its property portfolio during the year, generating a profit for us of £2.7m on an investment of £2.8m. The founders of Ashtenne have set up a new venture known as Hansteen Holdings plc in which we have invested £3m. Hansteen is listed on AIM and invests in European industrial property.

At 31 March 2006 the amount invested in investment property is below target. We continue to monitor the market to identify possible new investments but believe investment property is expensive at present and are happy to wait for more promising opportunities.

## UK development property

UK development activity takes place within the Taylor Clark Properties (TCP) sub group. TCP has two full time executive property directors and two independent non executive directors who between them have considerable commercial property experience. At 31 March 2006 £20.3m (2005: £16.9m) was invested in UK developments representing 10% of Group assets. This amount is below the target allocation of 15% - 25%.

A number of promising new opportunities have been identified and it is hoped one or more of these will be secured soon. However, strong market demand for commercial property is making it difficult to find opportunities at a price which makes sense to us.

At 31 March 2006 the two largest investments were our 50% share of the Bowmore Estates Limited joint venture (Bowmore) and Citypoint 2, an office development in Glasgow which has been partly let. Bowmore was formed to undertake the development of a number of residential sites in the South West of England. Three developments are currently under construction and will be completed in 2006/07. Interest from buyers has been strong at all sites and we look forward to a successful outcome.

Since the year end the sale of Citypoint 2 has been contracted and a profit on sale of £2.7m is expected in the current year.

## North American portfolio

The investments in North America are held within the Taylor Clark Inc (TCI) sub group. The managing director of TCI is Andy Macdonald who has been involved in the Group's North American investments since its inception in 1983. The asset manager is Crawford International Inc which is run by Jane Horvath, who has also been involved with the US portfolio since its inception. The investment in TCI of £37.2m represents 19% of Group assets at 31 March 2006. This falls within the target range of 15% - 25% of Group assets. The Group's exposure to changes in the value of the US dollar is roughly halved by US dollar borrowings totalling £19.2m.

The year ended 31 March 2006 saw the realisation of several assets by TCI. In November 2005 the Castlehill Vineyard was sold, generating a gain of £2.2m (\$3.9m). In December 2005 Liberty West Holdings LLC sold its office investment in Reno, Nevada and we realised a profit of £2.3m (\$4.0m) from this joint venture.

The remaining wholly owned investments at 31 March 2006 were the Marriott Courtyard and Residence Inn hotels in Stockton, California, the Heathman Hotel in Portland, Oregon and 101 Post Street (a retail investment property) in San Francisco, all of which are still held. In addition there are investments through joint ventures in an almond orchard and vineyard in California (Hill Creek Farms LLC), a condominium development in Kelowna, British Columbia and a Hy's restaurant in Whistler, British Columbia.

The hotels have been refurbished this year which temporarily reduced the number of rooms available. However, room rates improved during the year and as a result turnover is up on last year despite lower occupancy due to the non availability of rooms. The hotels are staffed and managed by a third party management company, The Rim Corporation, which is based in California.

Terms have been agreed for a joint venture to develop a 91 bedroom hotel in the Kirkland area of Seattle, Washington. This hotel will be fitted out and run to a similar standard as the Heathman Hotel in Portland and trading is expected to commence in Spring 2007. The total cost to the joint venture of getting the hotel up and running is forecast to be \$27m. Of this cost \$18m will be financed by a bank loan and our involvement is subject to the grant of the loan, which we anticipate should be obtained.

#### **Financial investments**

In recent years we have put in place a spread of financial investments. At 31 March 2006 these mainly comprised investment trusts, hedge funds, absolute return funds and listed and unlisted private equity funds. The performance of these investments, both in absolute terms and relative to the market, is regularly reviewed and, as necessary, adjustments made to the portfolio.

At 31 March 2006 the market value of these investments was £43.4m (2005: £29.3m). The increase in value of £14.1m during the year comprises net new investment of £5.8m and unrealised gains of £8.3m.

#### **Cash and "near" cash**

Following the various asset sales noted above the Group ended the year with £59m of free funds. Some £37m is invested by external professional managers (Alliance Bernstein and Royal Bank of Scotland) in low risk, short dated, sterling financial instruments. The balance comprises sterling and US dollar bank deposits and investments in US dollar short dated financial instruments which are low risk. After allowing for existing commitments some £40m remains available for retention as cash reserves or for new projects.

#### **Future developments**

Since 31 March 2006 world stock markets have lost some of last year's gains and our financial investments have decreased in value. However we remain convinced that part of the Group's assets should continue to be invested in stock markets, albeit we do not expect returns in the current year to be as good as last year.

The weight of money chasing commercial property is driving prices ever higher. Against a background of rising interest rates and moderate tenant demand we believe current values are unsustainable and a correction will occur over the next couple of years. Whilst this is frustrating we would rather sit with cash than overpay for new projects.

# Report of the directors

continued

In North America the main assets are the hotels which are currently trading well. There has been much speculation in the press about a possible slowdown in the US economy. Our hotels proved resilient in the last downturn and we believe they will again hold up well should a new downturn occur. The proceeds of the assets sold during the year have been invested on a short term basis. Part has been earmarked for the Kirkland hotel with the balance available for new investments.

## Results

As shown by the consolidated profit and loss account profit for the financial year amounted to £10,281,000 (2005: £3,337,000).

## Dividends

On 19 January 2006 interim dividends of 3.80 pence per ordinary A share and 4.18 pence per ordinary B share were paid (2005: 35 pence per ordinary £1 share). The directors recommend the payment of a final dividend of 7.90 pence (2005: 3.85 pence) per ordinary A share and 8.69 pence (2005: 4.235 pence) per ordinary B share.

## Directors

The directors in office at the date of this report are set out on page 2. On 17 May 2006, following their decision to take a sabbatical year, Robin Clark and Mrs P A H Clark resigned as directors. Mr J A Dippie was appointed as a director on 17 May 2006.

The beneficial interests of the directors in the shares of the company at 31 March 2006 and 1 April 2005 are listed below:

	Ordinary A Shares		Ordinary B Shares	
	31 March 2006	1 April 2005	31 March 2006	1 April 2005
Robin Clark	93,909	93,909	845,181	845,181
Mrs P A H Clark	93,909	93,909	845,181	845,181
A R Clark	66,450	66,450	598,050	598,050
R J Harvey	-	-	-	-
D T Boyd	-	-	-	-
J A Dippie	-	-	-	-
R E Towner	-	-	-	-

Certain directors act as trustees. The non beneficial interests of the directors in the shares of the company at 31 March 2006 and 1 April 2005 are listed below. Where more than one director is a trustee the shares held by a particular trust may be shown more than once

	Ordinary A Shares		Ordinary B Shares	
	31 March 2006	1 April 2005	31 March 2006	1 April 2005
Robin Clark	40,000	40,000	4,952,025	4,952,025
Mrs P A H Clark	40,000	40,000	4,952,025	4,952,025
A R Clark	104,000	104,000	936,000	936,000
R J Harvey	144,000	104,000	1,296,000	936,000
D T Boyd	-	-	-	-
J A Dippie	-	-	-	-
R E Towner	-	-	-	-

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.

#### **Shareholders**

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

The Underwood Trust, a Registered Charity, owns 4,592,025 B (non-voting) shares of £0.10 each, representing 36.4% of the B shares in issue and 34.0% of the total shares in issue.

#### **Payments to suppliers**

The company agrees terms and conditions for its business transactions with suppliers, with payment 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 2006 and amounts owed to its trade creditors at the end of the year was 21 days (2005: 14 days).

#### **Political and charitable gifts**

The Group did not make any political or charitable gifts during the year.

#### **Auditors**

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

On behalf of the Board,

J A Dippie

*Director and Secretary*



32 Haymarket,  
London SW1Y 4TP  
27 July 2006

# Independent auditors' report to the members of Taylor Clark plc

We have audited the group and parent company financial statements (the "financial statements") of Taylor Clark plc for the year ended 31 March 2006 which comprise the Consolidated profit and loss account, the Group and Company balance sheets, the Consolidated cash flow statement, Group statement of total recognised gains and losses, Note of historical cost profits and losses, Group reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

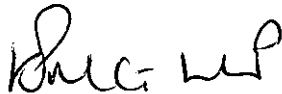


## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP



*Chartered Accountants,  
Registered Auditor  
Ipswich  
27 July 2006*

## Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 to prevent and detect fraud and other irregularities.

# Consolidated profit and loss account

for the year ended 31 March 2006

	Note	2006	2005 Restated (Note 1)
		£'000	£'000
Turnover of the group including its share of joint ventures		19,674	24,994
Less: Share of turnover of joint ventures		(3,029)	(5,182)
<b>Group turnover</b>	2	<b>16,645</b>	<b>19,812</b>
Cost of sales		(9,141)	(14,797)
<b>Gross profit</b>		<b>7,504</b>	<b>5,015</b>
Administrative expenses		(4,089)	(3,241)
Other operating income		1,807	1,695
<b>Group operating profit</b>	3	<b>5,222</b>	<b>3,469</b>
Share of operating profit of joint ventures		412	883
Share of operating profit of associate		143	149
<b>Total operating profit</b>		<b>5,777</b>	<b>4,501</b>
Gains on property disposals		4,082	695
Gains on fixed asset investment disposals		2,954	203
Share of gains on property disposals by joint ventures		2,195	–
Provisions made against fixed asset investments		(78)	(381)
<b>Profit before interest</b>		<b>14,930</b>	<b>5,018</b>
Interest receivable and similar income	4	1,253	682
Interest payable and similar charges	5	(1,769)	(487)
Share of net interest payable by joint ventures		(386)	(628)
Share of net interest payable by associate		(20)	(25)
<b>Profit on ordinary activities before taxation</b>	2, 3	<b>14,008</b>	<b>4,560</b>
Taxation on profit on ordinary activities	8	(3,727)	(1,223)
<b>Profit for the financial year</b>	9	<b>10,281</b>	<b>3,337</b>

A statement of the reserves is given in note 23.

The notes referred to above form part of these accounts.

# Group statement of total recognised gains and losses

for the year ended 31 March 2006

	2006	2005 Restated (Note 1)
	£'000	£'000
<b>Profit for the financial year</b>		
Group	7,967	2,989
Share of joint ventures	2,221	255
Share of associate	93	93
	<b>10,281</b>	<b>3,337</b>
Unrealised surplus on revaluation of properties	3,602	2,451
Unrealised surplus on revaluation of investments	8,339	1,729
Currency translation difference on foreign currency net assets	1,530	(463)
Pension scheme actuarial loss	(425)	(370)
Deferred tax on pension scheme actuarial loss	4	111
Current tax on pension scheme actuarial loss	124	-
<b>Other recognised gains and losses</b>	<b>13,174</b>	<b>3,458</b>
<b>Total recognised gains and losses relating to the financial year</b>	<b>23,455</b>	<b>6,795</b>
Prior year adjustment (Notes 1 and 7)	(1,032)	-
<b>Total gains recognised since last annual report</b>	<b>22,423</b>	<b>6,795</b>

## Note of historical cost profits and losses

for the year ended 31 March 2006

	2006	2005 Restated (Note 1)
	£'000	£'000
Reported profit on ordinary activities before taxation	14,008	4,560
Realisation of revaluation gains of previous years	5,287	2,180
<b>Historical cost profit on ordinary activities before taxation</b>	<b>19,295</b>	<b>6,740</b>
<b>Historical cost profit for the year retained after taxation and dividends</b>	<b>14,437</b>	<b>4,417</b>

# Group reconciliation of movements in shareholders' funds

for the year ended 31 March 2006

	2006	2005 Restated (Note 1)
	£'000	£'000
<b>Profit for the financial year</b>	<b>10,281</b>	<b>3,337</b>
Dividends paid (Note 10)	(1,131)	(1,100)
Transfer to reserves	9,150	2,237
Other recognised gains and losses	13,174	3,458
Purchase of own shares	–	(11,055)
<b>Net movement in shareholders' funds</b>	<b>22,324</b>	<b>(5,360)</b>
Opening balance of shareholders' funds	146,310	151,670
<b>Closing balance of shareholders' funds</b>	<b>168,634</b>	<b>146,310</b>

# Group balance sheet

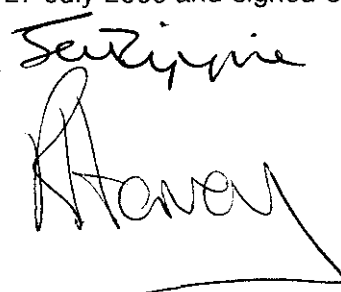
at 31 March 2006

	Note	2006 £'000	2005 Restated (Note 1) £'000
<b>Fixed assets</b>			
Intangible asset	11	403	370
Tangible assets	12	62,110	70,068
Investments in joint ventures			
Share of gross assets		2,323	11,674
Share of gross liabilities		(770)	(7,788)
	13	1,553	3,886
Investment in associate	14	1,647	1,528
Other investments	15	44,293	30,932
		<b>110,006</b>	<b>106,784</b>
<b>Current assets</b>			
Property and developments		16,085	14,341
Stocks	17	151	157
Debtors due after one year	18	70	1,842
Debtors due within one year	18	9,629	8,705
Investments		46,397	29,802
Cash at bank and in hand		17,371	11,646
		<b>89,703</b>	<b>66,493</b>
Creditors: amounts falling due within one year	19	(9,686)	(5,518)
<b>Net current assets</b>		<b>80,017</b>	<b>60,975</b>
<b>Total assets less current liabilities</b>		<b>190,023</b>	<b>167,759</b>
Creditors: amounts falling due after more than one year	20	(20,059)	(19,990)
Provisions for liabilities and charges	21	(288)	(427)
Net pension liability	7	(1,042)	(1,032)
<b>Net assets</b>		<b>168,634</b>	<b>146,310</b>
<b>Capital and reserves</b>			
Called up share capital	22	1,351	1,351
Capital redemption reserve	23	952	952
Revaluation reserve	23	29,260	22,470
Profit and loss account	23	137,071	121,537
<b>Equity shareholders' funds</b>		<b>168,634</b>	<b>146,310</b>

Approved by the Board on 27 July 2006 and signed on its behalf by

J A Dippie  
R J Harvey

Directors



# Consolidated cash flow statement

for the year ended 31 March 2006

	2006 £'000	2005 £'000
Net cash inflow from operating activities	4,542	2,564
Returns on investments and servicing of finance	(162)	455
Taxation	(3,351)	(1,176)
Capital expenditure and financial investment	14,324	4,471
Acquisitions and disposals	4,858	(670)
Equity dividends paid (note 10)	(1,131)	(1,100)
<b>Cash inflow before use of liquid resources and financing</b>	<b>19,080</b>	<b>4,544</b>
Management of liquid resources	(30,870)	2,557
Financing		
Increase in debt	3,064	15,262
Purchase of own shares	–	(11,055)
<b>(Decrease)/increase in cash</b>	<b>(8,726)</b>	<b>11,308</b>

## Reconciliation of net cash flow to movement in net funds

	2006 £'000	2005 £'000
(Decrease)/increase in cash in the year	(8,726)	11,308
Cash inflow/(outflow) from movement in liquid resources	30,870	(2,557)
Increase in debt	(3,064)	(15,262)
<b>Movement resulting from cash flows</b>	<b>19,080</b>	<b>(6,511)</b>
Loans acquired with subsidiary	–	(4,854)
Translation difference	(1,473)	(39)
<b>Movement in the year</b>	<b>17,607</b>	<b>(11,404)</b>
<b>Net funds at 1 April 2005</b>	<b>21,308</b>	<b>32,712</b>
<b>Net funds at 31 March 2006</b>	<b>38,915</b>	<b>21,308</b>

Further information concerning the consolidated cash flow statement is given in note 24.

# Company balance sheet

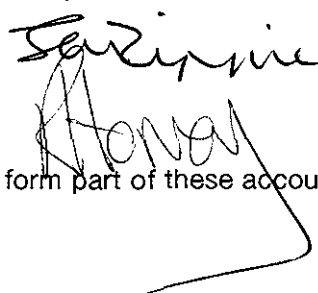
at 31 March 2006

	Note	2006 £'000	2005 Restated (Note 1) £'000
<b>Fixed assets</b>			
Tangible assets	12	26,943	36,881
Investment in associate	14	1,200	1,174
Other investments	15	87,910	73,792
		<b>116,053</b>	<b>111,847</b>
<b>Current assets</b>			
Debtors due after one year	18	7,444	9,908
Debtors due within one year	18	7,742	6,521
Investments		37,309	29,802
Cash at bank and in hand		14,804	9,974
		<b>67,299</b>	<b>56,205</b>
Creditors: amounts falling due within one year	19	(36,530)	(36,646)
<b>Net current assets</b>		<b>30,769</b>	<b>19,559</b>
<b>Total assets less current liabilities</b>		<b>146,822</b>	<b>131,406</b>
Provisions for liabilities and charges	21	(66)	(224)
Net pension liability	7	(1,042)	(1,032)
<b>Net assets</b>		<b>145,714</b>	<b>130,150</b>
<b>Capital and reserves</b>			
Called up share capital	22	1,351	1,351
Capital redemption reserve	23	952	952
Revaluation reserve	23	26,013	17,911
Profit and loss account	23	117,398	109,936
<b>Equity shareholders' funds</b>		<b>145,714</b>	<b>130,150</b>

Approved by the Board on 27 July 2006 and signed on its behalf by

J A Dippie  
R J Harvey

Directors



The notes referred to above form part of these accounts.

# Notes on the accounts

## 1 Accounting policies

### *Basis of preparation*

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

### *Changes in accounting policies*

During the year the following UK accounting standards took effect and have been adopted in these financial statements.

FRS 17 Retirement benefits

FRS 21 Events after the balance sheet date

The adoption of FRS 17 has resulted in the scheme deficit at 31 March 2005 being incorporated in the accounts through the statement of Total Recognised Gains and Losses. The pension scheme assets and liabilities have been included in the group and parent company balance sheets for 2004 and 2005. The effect of the implementation of FRS 17 on the reporting of the company's defined benefit pension scheme is described in note 7. The full adoption of FRS 17 has resulted in a prior year adjustment of £1,032,000. The impact of full adoption on the previously reported 2005 results has been to decrease profit after tax by £232,000 and increase it by £288,000 in 2006. The full adoption of FRS 17 results in the inclusion of the net pension liability which reduces net assets by £1,032,000 in 2005 and £1,042,000 in 2006.

Full adoption and compliance with FRS 21 has resulted in a prior year adjustment of £569,000. The impact of adoption on the previously reported 2005 results has been to increase the profits transferred to reserves by £569,000 in 2005.

Apart from the changes noted above the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

### *Basis of consolidation*

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2006. 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.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cashflows. Such arrangements are reported in the consolidated financial statements on the same basis.

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.



1 **Accounting policies (continued)**

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.

**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%-4%
Leasehold properties	- over the life of the lease, limited to the final fifty 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 less depreciation.

**Fixed asset investment**

Listed investments held as fixed assets are revalued annually to the market price at the balance sheet date. For each investment revaluations above original cost are taken to the revaluation reserve through the statement of total recognised gains and losses. Where the market value of an individual investment is below original cost the deficit is charged to the profit and loss account. Any subsequent increases in value are credited back to the profit and loss account up to original cost.

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.

# Notes on the accounts

continued

## 1 Accounting policies (*continued*)

### *Woodlands*

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

### *Current asset investments*

Current asset investments comprise listed investments which are held on a short term basis and are valued at the year end market value.

### *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. Cost comprises the original cost of the property, together with subsequent third party development costs until the property is complete and available for use.

### *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 sales of property held for development, rents, farm produce and leisure operations, excluding Value Added Tax.

### *Taxation*

The charge for taxation is based on the profit for the year. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

### *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*

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

### *Cash and liquid resources*

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

## 2 Turnover and business segment analysis

### By activity

2006	Property £'000	Hotels and leisure £'000	Financial investments £'000	Other £'000	Total £'000
Group turnover	7,069	8,217	–	1,359	16,645
Operating profit					
Group	3,446	1,523	1,788	(1,535)	5,222
Share of joint ventures	49	(13)	–	376	412
Share of associate	–	143	–	–	143
	3,495	1,653	1,788	(1,159)	5,777
Gains on property disposals	1,841	128	–	2,113	4,082
Gains on fixed asset investment disposals	–	–	2,827	127	2,954
Share of gains on property disposals by joint ventures	2,303	(108)	–	–	2,195
Provisions made against fixed assets	(58)	(12)	(8)	–	(78)
Net interest	(478)	(115)	–	(329)	(922)
Profit before taxation	7,103	1,546	4,607	752	14,008
Assets employed					
Group	57,434	14,568	88,996	4,436	165,434
Share of joint ventures	195	397	–	961	1,553
Share of associate	–	1,647	–	–	1,647
	57,629	16,612	88,996	5,397	168,634
2005 restated (Note 1)					
Group turnover	14,652	4,359	–	801	19,812
Operating profit					
Group	2,033	1,128	1,710	(1,402)	3,469
Share of joint ventures	340	274	–	269	883
Share of associate	–	149	–	–	149
	2,373	1,551	1,710	(1,133)	4,501
Gains on property disposals	695	–	–	–	695
Gains on fixed asset investment disposals	–	–	203	–	203
Share of gains on property disposals by joint ventures	–	–	–	–	–
Provisions made against fixed assets	–	(530)	149	–	(381)
Net interest	(406)	(257)	–	205	(458)
Profit before taxation	2,662	764	2,062	(928)	4,560
Assets employed					
Group	57,601	17,030	58,154	8,112	140,897
Share of joint ventures	1,982	989	–	914	3,885
Share of associate	–	1,528	–	–	1,528
	59,583	19,547	58,154	9,026	146,310

# Notes on the accounts

continued

## 2 Turnover and business segment analysis (continued)

By geographical market  
(by destination and origin)

	2006			2005 restated (Note 1)		
	North			North		
	UK	America	Total	UK	America	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group turnover	5,757	10,888	16,645	14,511	5,301	19,812
Operating profit						
Group	2,867	2,355	5,222	2,574	895	3,469
Share of joint ventures	–	412	412	–	883	883
Share of associate	143	–	143	149	–	149
	3,010	2,767	5,777	2,723	1,778	4,501
Gains on property disposals	1,969	2,113	4,082	695	–	695
Gains on fixed assets investment disposals	2,954	–	2,954	203	–	203
Share of gains on property disposals by joint ventures	–	2,195	2,195	–	–	–
Provisions made against fixed assets	(8)	(70)	(78)	149	(530)	(381)
Net interest	(298)	(624)	(922)	(266)	(192)	(458)
Profit before taxation	7,627	6,381	14,008	3,504	1,056	4,560
Assets employed						
Group	133,865	31,569	165,434	116,336	24,561	140,897
Share of joint ventures	–	1,553	1,553	–	3,885	3,885
Share of associate	1,647	–	1,647	1,528	–	1,528
	135,512	33,122	168,634	117,864	28,446	146,310

The Other Operating Profit includes group overhead costs.

The total figures for 2005 include the following amounts relating to acquisitions: turnover £1,052,000, cost of sales £781,000 and interest payable £126,000. All of these were in the hotels and leisure sector and were in North America.

## 3 Profit on ordinary activities before taxation

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

	2006	2005
	£'000	£'000
<i>Crediting:</i>		
Income from listed investments	1,622	1,506
<i>Charging:</i>		
Depreciation	1,361	865
Auditors' remuneration:		
Audit fees Group (including Company £41,000 (2005: £34,000))	143	125
Other services	124	96
Operating lease rental payments in respect of land and buildings	55	85
Pension service cost	134	188
Pension settlement loss	–	235

4 Interest receivable and similar income

	2006	2005
	£'000	£'000
Bank and other interest receivable	1,253	682
	<b>1,253</b>	<b>682</b>

5 Interest payable and similar charges

	2006	2005
	£'000	£'000
Bank loans and overdrafts	1,557	228
Other interest charges	43	1
Currency translation differences	169	258
	<b>1,769</b>	<b>487</b>

6 Staff costs and directors' emoluments

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

	2006 Number	2005 Number
Property, management and administration	15	15
Other	6	6
	<b>21</b>	<b>21</b>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£'000	£'000
Wages and salaries	1,132	863
Social security costs	144	93
Other pension costs	147	97
	<b>1,423</b>	<b>1,053</b>

Directors' remuneration:

	2006	2005
	£'000	£'000
Directors' emoluments	452	318
Amount paid to third party in respect of directors' services	24	23
	<b>476</b>	<b>341</b>

The aggregate of emoluments of the highest paid director (excluding pension contributions) were £142,000 (2005: £126,000). 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 £56,000 (2005: £52,000).

	Number of directors	
	2006	2005
Retirement benefits are accruing to the following number of directors under a defined benefit scheme	<b>2</b>	<b>2</b>

# Notes on the accounts

continued

## 7 Pensions

### *Taylor Clark plc Retirement and Death Benefit Scheme*

The company operates a defined benefit pension scheme for group employees with the assets being held separately from those of the company.

The pension contribution for the year was £591,000 (2005: £97,000). The contribution of the group for the scheme was 19.5% (2005: 16%) of total pensionable salary. The employees contributed an additional 4% (2005: 4%).

For the purpose of these accounts the independent actuary has updated to 31 March 2006 the scheme valuation at 1 April 2004. This includes changing the valuation basis from the attained age method to the projected unit method. The age profile of the members is rising significantly and under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The major assumptions used by the Independent Actuary were:

	2006 %	2005 %	2004 %
Discount rate	4.90	5.40	5.50
Rate of increase in salaries	5.30	5.00	5.00
Rate of increase in pensions in payment	3.30	3.25	3.00
Price Inflation	3.30	3.00	3.00

The assets and liabilities in the Scheme and long-term expected rates of return are shown below:

	Value at 2006 £'000	Long-term expected return 2006 %	Value at 2005 £'000	Long term expected return 2005 %	Value at 2004 £'000	Long term expected return 2004 %
Equities and Property	2,690	7.50	2,040	7.25	2,790	7.50
Bonds	2,924	4.40	2,558	4.75	1,842	4.75
Cash	260	3.00	56	3.75	75	2.75
Total market value of Fund assets	5,874		4,654		4,707	
Present value of Fund liabilities	(7,363)		(6,129)		(5,479)	
Deficit in the scheme—						
Pension liability	(1,489)		(1,475)		(772)	
Related deferred tax asset	447		443		232	
Net pension deficit asset	(1,042)		(1,032)		(540)	

7 Pensions (*continued*)

Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit in scheme at 1 April	(1,475)	(772)
Current service cost	(134)	(188)
Contributions paid	591	97
Settlement loss	—	(235)
Other finance costs	(46)	(7)
Actuarial loss	(425)	(370)
<b>Deficit in the scheme at 31 March</b>	<b>(1,489)</b>	<b>(1,475)</b>

Analysis of other pension costs charged in arriving at operating profit

	2006 £'000	2005 £'000
Current service costs	134	188
Settlement loss	—	235
<b>Total operating charge included in Administrative expenses</b>	<b>134</b>	<b>423</b>

Analysis of amounts included in other finance income/(costs)

	2006 £'000	2005 £'000
Expected return on pension scheme assets	284	296
Interest on pension scheme liabilities	(330)	(303)
<b>Net return included in Other operating income</b>	<b>(46)</b>	<b>(7)</b>

Analysis of amount recognised in statement of total recognised gains and losses

	2006 £'000	2005 £'000
Actual return less expected return on scheme assets	517	(31)
Experience gains and losses arising on scheme liabilities	(79)	(75)
Changes in assumptions underlying the present value of scheme liabilities	(863)	(264)
<b>Actuarial loss recognised in statement of total recognised gains and losses</b>	<b>(425)</b>	<b>(370)</b>

History of experience gains and losses

	2006	2005	2004	2003
Difference between expected and actual return on Scheme assets:				
Amount (£000)	517	(31)	123	(623)
Percentage of Scheme's assets	8.8%	(0.7)%	2.6%	(14.1)%
Experience gains and losses on Scheme liabilities:				
Amount (£000)	(79)	(75)	(83)	51
Percentage of present value of the Scheme's liabilities	(1.1)%	(1.2)%	(1.5)%	1.1%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	(425)	(370)	(424)	(979)
Percentage of present value of the Scheme's liabilities	(5.8)%	(6.1)%	(7.7)%	(20.7)%

# Notes on the accounts

continued

## 8 Taxation

	2006 £'000	2005 restated £'000
Analysis of charge in period		
<i>UK corporation tax</i>		
Current tax on income for the period	(1,639)	(1,243)
Adjustments in respect of prior years	(82)	(128)
	(1,721)	(1,371)
<i>Foreign tax</i>		
Current tax on income for the period	(2,122)	(342)
Total current tax	(3,843)	(1,713)
Deferred tax (note 21)	146	521
Share of associate's tax	(30)	(31)
Tax on profit on ordinary activities	(3,727)	(1,223)

### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2005: *higher*) than the standard rate of corporation tax in the UK 30% (2005: 30%). The differences are explained below.

	2006 £'000	2005 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	14,008	4,560
Current tax at 30% (2005: 30%)	4,202	1,368
Effects of:		
(Income)/expenses not deductible for tax purposes	(402)	6
Capital allowances for period in excess of depreciation	(37)	(105)
Indexation allowance on capital gains	(514)	–
Tax due on properties reclassified to fixed assets	–	130
Tax losses carried forward	153	152
Adjustments to tax charge in respect of previous periods	82	128
Higher overseas tax rates	216	–
Sundry other items	143	34
Total current tax charge	3,843	1,713

### Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing properties to their market value or on fixed asset investments revalued. The total amounts not provided for properties are £2,477,000 (2005: £2,897,000) and for fixed asset investments £3,833,000 (2005: £1,605,000). At present it is not envisaged that any tax will become payable in the foreseeable future.



9 Profit for the financial year

	2006	2005
	£'000	£'000
Dealt with in the accounts of the holding company	6,289	3,046
Retained by subsidiary undertakings	3,992	291
	<b>10,281</b>	<b>3,337</b>

10 Dividends

	2006	2005
	£'000	£'000
Amounts recognised as distributions to equity shareholders in the year		
Final dividend for the year ended 31 March 2005		
Ordinary A shares, 3.85p per share	34	
Ordinary B shares, 4.235p per share	535	
Interim dividend for the year ended 31 March 2006		
Ordinary A shares, 3.80p per share	34	
Ordinary B shares, 4.180p per share	528	
Final dividend for the year ended 31 March 2004		
Ordinary £1 shares, 35p per share		550
Interim dividend for the year ended 31 March 2005		
Ordinary £1 shares, 35p per share		550
Total dividends paid in the year	<b>1,131</b>	<b>1,100</b>
Proposed final dividends for the year ended 31 March 2006:		
Ordinary A shares, 7.90p (31 March 2005 3.85p) per share	70	34
Ordinary B shares, 8.69p (31 March 2005 4.235p) per share	1,097	535
	<b>1,167</b>	<b>569</b>

The proposed final dividends for 2005/06 are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

11 Intangible asset

Purchased goodwill

	£'000
Group:	
1 April 2005	370
Translation difference	33
<b>31 March 2006</b>	<b>403</b>

The fair values of assets acquired as part of a business are determined by the purchase price. The goodwill arises from the acquisition of HHP Equity Partners LLC.

# Notes on the accounts

continued

## 12 Fixed assets: Tangible assets

	<i>Freehold property</i>		<i>Leasehold Property</i>		<i>Other tangible assets</i>	<i>Total</i>
<i>Group:</i>	<i>Investment</i>	<i>Trading</i>	<i>Investment</i>	<i>Trading</i>	<i>assets</i>	<i>£'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Cost or valuation:						
1 April 2005	33,351	24,099	8,517	58	8,626	74,651
Additions	–	267	–	–	1,020	1,287
Disposals	(12,216)	(704)	–	(58)	(1,641)	(14,619)
Translation difference	473	1,473	–	–	476	2,422
Reclassification	–	278	–	–	(278)	–
Surplus on revaluation	2,618	–	984	–	–	3,602
<b>31 March 2006</b>	<b>24,226</b>	<b>25,413</b>	<b>9,501</b>	<b>–</b>	<b>8,203</b>	<b>67,343</b>
Cost	–	25,313	–	–	8,203	33,516
Valuation	24,226	100	9,501	–	–	33,827
	<b>24,226</b>	<b>25,413</b>	<b>9,501</b>	<b>–</b>	<b>8,203</b>	<b>67,343</b>
Depreciation:						
1 April 2005	–	1,443	–	19	3,121	4,583
Charged in year	–	519	–	2	840	1,361
Disposals	–	(11)	–	(21)	(950)	(982)
Translation difference	–	95	–	–	176	271
Reclassification	–	2	–	–	(2)	–
<b>31 March 2006</b>	<b>–</b>	<b>2,048</b>	<b>–</b>	<b>–</b>	<b>3,185</b>	<b>5,233</b>
Net book value:						
1 April 2005	33,351	22,656	8,517	39	5,505	70,068
<b>31 March 2006</b>	<b>24,226</b>	<b>23,365</b>	<b>9,501</b>	<b>–</b>	<b>5,018</b>	<b>62,110</b>
Historical cost of items valued under the alternative accounting rules	9,844	39	7,348	–	–	17,231

12 Fixed assets: Tangible assets (*continued*)

	<i>Freehold investment property £'000</i>	<i>Leasehold investment property £'000</i>	<i>Other tangible assets £'000</i>	<i>Total £'000</i>
<i>Company:</i>				
Cost or valuation:				
1 April 2005	28,122	8,638	579	37,339
Addition	–	–	14	14
Disposals	(12,280)	–	(68)	(12,348)
Surplus on revaluation	1,408	956	–	2,364
<b>31 March 2006</b>	<b>17,250</b>	<b>9,594</b>	<b>525</b>	<b>27,369</b>
Cost	–	–	525	525
Valuation	17,250	9,594	–	26,844
	17,250	9,594	525	27,369
Depreciation:				
1 April 2005	–	–	458	458
Charged in year	–	–	36	36
Disposals	–	–	(68)	(68)
<b>31 March 2006</b>	<b>–</b>	<b>–</b>	<b>426</b>	<b>426</b>
Net book value:				
1 April 2005	28,122	8,638	121	36,881
<b>31 March 2006</b>	<b>17,250</b>	<b>9,594</b>	<b>99</b>	<b>26,943</b>
Historical cost of items valued under the alternative accounting rules	5,734	7,870	–	13,604

Tangible fixed assets at 31 March 2006 have been included on the following bases:

- Investment properties have been valued on an open market basis as at 31 March 2006 using the relevant professional guidelines applicable to each country in which the property is located. The portfolio was valued by:

	<i>Group By value £'000</i>	<i>Company By value £'000</i>
DTZ Debenham Tie Leung, International Property Advisers	26,751	26,844
Integra Realty Resources, Real Estate Appraisers	6,976	–
- Trading property is included at cost or at 1996 valuation which under the transitional arrangements of FRS 15 is now deemed to be cost.
- 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.

13 Fixed assets: Investments in joint ventures

	<i>£'000</i>
<i>Group:</i>	
At 1 April 2005	3,886
Disposals	(360)
Distributions received	(4,524)
Share of earnings	2,221
Impairment	(13)
Translation difference	343
<b>At 31 March 2006</b>	<b>1,553</b>

# Notes on the accounts

continued

## 13 Fixed assets: Investments in joint ventures (*continued*)

At both 1 April 2005 and 31 March 2006 the group held interests in the following joint ventures:

- a 50% limited partnership interest in Hy's at the Mountain, a Canadian Limited Partnership which operates a restaurant.
- 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.
- 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.
- a 50% interest in Vallejo Hotel Group LLC, a limited liability company formed to renovate and operate a hotel in Northern California.

Further information, as required by FRS 9 is set out below:

	<i>Group share of joint ventures</i>	<i>Group share of Liberty West</i>
	£'000	£'000
Turnover	3,029	621
Profit before and after taxation	2,221	2,007
Fixed assets	1,389	-
Current assets	934	195
Liabilities due within one year	93	-
Liabilities due after more than one year	677	-

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

## 14 Fixed assets: Investments in associated undertakings

	<i>Group</i>	<i>Company</i>
	£'000	£'000
1 April 2005	1,528	1,174
Additions	26	26
Share of results	93	-
<b>31 March 2006</b>	<b>1,647</b>	<b>1,200</b>

The associated undertaking is Cairnstar Limited, a company registered in Scotland. Cairnstar was formed to effect a management buy out of certain of the Group's leisure businesses in the North of Scotland (see note 28). The Group's interest in Cairnstar at 31 March 2006 was 33% (2005: 33%).

Further information as required by FRS 9 is set out below:

	<i>Group share of associate</i>
	£'000
Turnover	1,681
Profit before tax	123
Taxation	(30)
Profit after tax	93
Goodwill	7
Fixed assets	1,170
Current assets	920
Liabilities due within one year	247
Liabilities due after one year	203

15 Fixed assets: Other investments

	<i>Listed</i> £'000	<i>Woodlands</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
<i>Group:</i>				
Cost or market value				
1 April 2005	24,559	2,305	4,731	31,595
Additions	12,475	–	320	12,795
Disposals	(4,047)	(668)	(3,018)	(7,733)
Revaluation surplus	8,339	–	–	8,339
Translation difference	–	–	25	25
<b>31 March 2006</b>	<b>41,326</b>	<b>1,637</b>	<b>2,058</b>	<b>45,021</b>
Provisions				
1 April 2005	–	–	663	663
Provided in year	7	–	58	65
<b>31 March 2006</b>	<b>7</b>	<b>–</b>	<b>721</b>	<b>728</b>
Net book value:				
31 March 2005	24,559	2,305	4,068	30,932
<b>31 March 2006</b>	<b>41,319</b>	<b>1,637</b>	<b>1,337</b>	<b>44,293</b>
		<i>Shares in subsidiary</i>		
	<i>Listed undertakings</i>		<i>Other</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<i>Company:</i>				
Cost or market value				
1 April 2005	24,559	51,775	4,454	80,788
Additions	12,475	–	320	12,795
Disposals	(4,047)	–	(2,831)	(6,878)
Revaluation surplus	8,339	–	–	8,339
<b>31 March 2006</b>	<b>41,326</b>	<b>51,775</b>	<b>1,943</b>	<b>95,044</b>
Provisions				
1 April 2005	–	6,333	663	6,996
Provided in year	7	131	–	138
<b>31 March 2006</b>	<b>7</b>	<b>6,464</b>	<b>663</b>	<b>7,134</b>
Net book value:				
31 March 2005	24,559	45,442	3,791	73,792
<b>31 March 2006</b>	<b>41,319</b>	<b>45,311</b>	<b>1,280</b>	<b>87,910</b>

# Notes on the accounts

continued

## 16 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 2006	Country of registration/ incorporation
<b>Property</b>		
Taylor Clark Properties Limited	100	Scotland
<b>Farming and woodlands</b>		
Wylde Valley Farming Limited	100	England
<b>USA (Property, farming, hotels and restaurants)</b>		
Taylor Clark Inc	100*	USA
Castlehill Properties Inc	100*	USA
HHP Equity Partners LLC	100*	USA

\*Owned by a subsidiary undertaking

## 17 Stocks

	Group	
	2006 £'000	2005 £'000
Stocks comprise:		
Farm produce	151	157

## 18 Debtors

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<i>Amounts due after one year</i>				
Trade debtors	-	1,588	-	-
Amounts owed by subsidiary undertakings	-	-	7,307	9,770
Corporation tax receivable	-	91	-	-
Prepayments and accrued income	70	163	137	138
	70	1,842	7,444	9,908
<i>Amounts due within one year</i>				
Trade debtors	7,705	7,980	7,233	6,037
Amounts owed by subsidiary undertakings	-	-	65	211
Corporation tax receivable	18	62	-	-
Other debtors	632	203	16	21
Prepayments and accrued income	1,274	460	428	252
	9,629	8,705	7,742	6,521

19 Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	Restated (Note 1)		Restated (Note 1)	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	4,794	150	–	–
Trade creditors	1,580	2,828	43	17
Amounts owed to subsidiary undertakings	–	–	35,054	35,108
Other creditors including taxation and social security	1,417	1,003	749	742
Accruals and deferred income	1,895	1,537	684	779
	9,686	5,518	36,530	36,646
Other creditors including taxation and social security comprise:				
Corporation tax	1,044	748	531	507
Other taxes	79	87	79	116
Social security	83	29	77	25
Other creditors	211	139	62	94
	1,417	1,003	749	742

£4,794,000 (2005: £150,000) of the bank loans and overdrafts are secured by charges over certain of the group's assets.

20 Creditors: amounts falling due after one year

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans:				
Repayable between 1 and 2 years	852	2,318	–	–
Repayable between 2 and 5 years	14,980	13,710	–	–
Repayable over 5 years	4,227	3,962	–	–
	20,059	19,990	–	–

£14,413,000 of the group loans relate to a five year bank loan of US dollars 25,000,000 repayable in March 2010. Interest is charged at 1.0% above the USD LIBOR 3 month rate. An interest rate swap contract has been purchased which effectively converts floating USD LIBOR to a fixed rate of 4.51% for the whole of the loan until 1 July 2008. The loan is guaranteed joint and severally by several group companies and is secured over a property owned by the company.

£4,954,000 relates to a loan secured against the Heathman Hotel. This is repayable by instalments by March 2023. Interest is charged at 7.77%.

# Notes on the accounts

continued

## 21 Provisions for liabilities and charges

	<i>Property provisions £'000</i>	<i>Deferred taxation £'000</i>	<i>Total £'000</i>
<i>Group</i>			
1 April 2005	11	416	427
Utilised	(8)	–	(8)
Released to profit and loss account	(3)	(146)	(149)
Translation difference	–	18	18
<b>31 March 2006</b>	<b>–</b>	<b>288</b>	<b>288</b>

	<i>Deferred taxation £'000</i>
<i>Company</i>	
1 April 2005	224
Released to profit and loss account	(158)
<b>31 March 2006</b>	<b>66</b>

The elements of deferred taxation are as follows:

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
Difference between accumulated depreciation and amortisation and capital allowances	893	914	78	224
Other timing differences	81	162	–	–
<b>Deferred tax provision</b>	<b>974</b>	<b>1,076</b>	<b>78</b>	<b>224</b>
Deferred tax assets				
Expenses not currently deductible	686	660	12	–
	686	660	12	–
<b>Deferred tax liability</b>	<b>288</b>	<b>416</b>	<b>66</b>	<b>224</b>

## 22 Share capital

	<i>Ordinary A shares of £0.10</i>		<i>Ordinary B shares of £0.10</i>		<i>Total</i>
	<i>Allotted and fully paid Number</i>	<i>Allotted and fully paid Value £'000</i>	<i>Allotted and fully paid Number</i>	<i>Allotted and fully paid Value £'000</i>	<i>Allotted and fully paid Value £'000</i>
<b>31 March 2006 and 2005</b>	<b>892,236</b>	<b>89</b>	<b>12,622,149</b>	<b>1,262</b>	<b>1,351</b>

The A shares and the B shares rank pari passu except

- When a dividend is declared on the A shares a dividend must also be declared on the B shares (and vice versa)
- The dividend per share on the B shares must be 110% of the dividend per share on the A shares
- On a winding up of the company the B shares will be entitled to a distribution per share of 110% of the amount distributed per share on the A shares
- The holders of the B shares have no rights to receive notice of or to attend or to vote at any General Meeting of the Company.



## 23 Reserves

	<i>Capital redemption reserve £'000</i>	<i>Revaluation reserves Properties £'000</i>	<i>Listed investments £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
<i>Group</i>					
1 April 2005 as previously stated	952	17,123	5,347	122,000	145,422
Prior year adjustment	–	–	–	(463)	(463)
1 April 2005 as restated	952	17,123	5,347	121,537	144,959
Profit for the year	–	–	–	10,281	10,281
Dividends paid	–	–	–	(1,131)	(1,131)
Increase arising on revaluation	–	3,602	8,339	–	11,941
Realised on disposal	–	(4,374)	(913)	5,287	–
Currency translation difference	–	136	–	1,394	1,530
Pension scheme actuarial loss after tax	–	–	–	(297)	(297)
31 March 2006	952	16,487	12,773	137,071	167,283
Reserves excluding pension related adjustments	952	16,487	12,773	138,113	168,325
Net pension liability	–	–	–	(1,042)	(1,042)
Reserves as adjusted	952	16,487	12,773	137,071	167,283
	<i>Capital redemption reserve £'000</i>	<i>Revaluation reserves Properties £'000</i>	<i>Listed Investments £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
<i>Company</i>					
1 April 2005 as previously stated	952	12,564	5,347	110,399	129,262
Prior year adjustment	–	–	–	(463)	(463)
1 April 2005 as restated	952	12,564	5,347	109,936	128,799
Profit for the year	–	–	–	6,289	6,289
Dividends paid	–	–	–	(1,131)	(1,131)
Increase arising on revaluation	–	2,364	8,339	–	10,703
Realised on disposal	–	(1,688)	(913)	2,601	–
Pension scheme actuarial loss after tax	–	–	–	(297)	(297)
31 March 2006	952	13,240	12,773	117,398	144,363
Reserves excluding pension related adjustments	952	13,240	12,773	118,440	145,405
Net pension liability	–	–	–	(1,042)	(1,042)
Reserves as adjusted	952	13,240	12,773	117,398	144,363

At 31 March 2006, the cumulative goodwill written off against group reserves amounted to £1,259,000 (2005: £1,259,000).

# Notes on the accounts

continued

## 24 Notes to the cash flow statement

### Reconciliation of operating profit to net cash inflow from operating activities

	2006	2005 restated
	£'000	£'000
Group operating profit	5,222	3,469
Depreciation charges	1,361	865
Profit on fixed asset disposals	–	(15)
Currency translation differences	301	(49)
Decrease in stocks	6	9
Decrease/(increase) in debtors	789	(5,404)
(Decrease)/increase in creditors	(971)	2,147
(Increase)/decrease in property and developments	(1,744)	1,252
Decrease in provisions	(11)	(43)
Net pension service (income)/cost	(457)	326
Pension other finance cost	46	7
Net cash inflow from operating activities	4,542	2,564
<b>Returns on investments and servicing of finance</b>		
Interest received	1,239	682
Interest paid	(1,401)	(227)
Net cash (outflow)/inflow from returns on investments and servicing of finance	(162)	455
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,287)	(591)
Purchase of fixed asset investments	(12,795)	(5,206)
Proceeds from sales of tangible fixed assets	17,719	5,265
Proceeds from sales of fixed asset investments	10,687	5,003
Net cash inflow from capital expenditure and financial investment	14,324	4,471
<b>Acquisitions and disposals</b>		
Investments in joint ventures	–	(79)
Investment in associate	(26)	–
Purchase of subsidiary undertaking	–	(1,360)
Cash acquired with subsidiary undertaking	–	325
Distributions received from joint ventures	4,524	350
Proceeds from disposals of joint ventures	360	94
Net cash inflow/(outflow) from acquisitions and disposals	4,858	(670)
<b>Management of liquid resources</b>		
Cash added to fixed deposits	(14,275)	–
(Increase)/decrease in current asset investments	(16,595)	2,557
Net cash (outflow)/inflow from management of liquid resources	(30,870)	2,557

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

Purchase of subsidiary undertaking

Assets and liabilities acquired on the purchase of subsidiary undertaking

	2006 £'000	2005 £'000
Purchased goodwill	–	370
Fixed assets	–	11,044
Debtors	–	460
Cash	–	325
<b>Total assets</b>	<b>–</b>	<b>12,199</b>
Creditors	–	(395)
Debt	–	(4,854)
<b>Total liabilities</b>	<b>–</b>	<b>(5,249)</b>
	–	6,950
Net cash paid	–	1,360
Offset against debtor balance	–	265
Previous equity interest in joint venture	–	5,325
	–	6,950

All assets were acquired at fair value which represented the book value at the date of acquisition other than land and buildings where a £232,000 fair value adjustment was made. No revaluation of any assets was undertaken.

The acquired undertaking made a loss of £32,000 from the beginning of its financial year to the date of acquisition. In its previous financial year the loss was £362,000.

Analysis of net funds

	1 April 2005 £'000	Cash flow £'000	Reclassi- fication £'000	Exchange Movement £'000	31 March 2006 £'000
Cash in hand and at bank	11,646	(8,689)	–	139	3,096
Overdrafts	(24)	(37)	–	–	(61)
		(8,726)			
Debt due after 1 year	(19,990)	(649)	2,181	(1,601)	(20,059)
Debt due within 1 year	(126)	(2,415)	(2,181)	(11)	(4,733)
Funds on deposit over one day	–	14,275	–	–	14,275
Current asset investments	29,802	16,595	–	–	46,397
<b>Total</b>	<b>21,308</b>	<b>19,080</b>	<b>–</b>	<b>(1,473)</b>	<b>38,915</b>

# Notes on the accounts

continued

## 25 Commitments

There were no capital commitments contracted for but not provided at 31 March 2006 (2005: £nil).

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 March 2006.

	2006 £'000	2005 £'000
Land and buildings		
Expiring:		
Between 2 and 5 years	–	30
Over 5 years	–	95
	–	125

No provision has been made in the financial statements in respect of financial commitments of £Nil (2005: £94,000) 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.

A subsidiary has entered into an agreement with a third party to provide funding for a property development by the third party. The funding is secured by a second charge on the property and the loan bears interest at 2.0% above the base rate of Barclays Bank PLC. The total commitment is to provide funding of £1,003,758 of which £420,850 had been advanced at 31 March 2006 (2005: £Nil). The loan will be repaid from the proceeds of sale of the development.

The company holds investments which may result in the drawdown of further funds in future periods. Under this arrangement, the company is committed to providing further investment of £5,148,000 (2005: £3,897,000).

## 26 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 2006 was £14,471,000 (2005: £13,274,000).

## 27 Post balance sheet event

Since the year end the sale of Citypoint 2 (an office development in Glasgow) has been contracted. The sale should be completed in August 2006 at a profit of £2.7m.

## 28 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	2006 £'000	2005 £'000
Management charge to The Underwood Trust, in respect of services provided by the group	1	18	18
Dividends paid by Taylor Clark plc and received in a beneficial capacity by:			
The Underwood Trust		386	476
Directors of Taylor Clark plc		212	178
Rental income from Cairnstar Limited received by TC Restaurants Limited	2	61	95

28 Related party transactions (*continued*)

Sub notes

- 1 At 31 March 2006, The Underwood Trust held 4,592,025 B shares (2005: 4,592,025 B shares) of £0.10 each, representing 36.4% of the B shares in issue and 34.0% of the total shares in issue.  
  
The Underwood Trust is an English charitable trust which was established in 1973. The Trustees of The Underwood Trust include Mr R Clark, who was also Chairman of Taylor Clark plc, together with Mrs P A H Clark, who was a fellow director of Taylor Clark plc.
- 2 On 17 December 2001 the Taylor Clark Group sold assets to Cairnstar Limited ("Cairnstar"), a company controlled by a management buyout team. At 31 March 2006 the group owned 33% (2005: 33%) of the voting rights in Cairnstar.  
  
On 30 January 2003 Cairnstar agreed to sub-lease a property from TC Restaurants Limited for 16 years at an annual rental of £85,000. Under a separate agreement Cairnstar agreed to pay a further £9,949 a year while the sub-lease continues. On 31 October 2005 the headlease was assigned to Cairnstar for £165,821. The consideration was £25,862 of loan stock and £139,959 of cash. The sub-lease terminated on 31 October 2005.  
  
The amounts outstanding from Cairnstar at the year end were £300,000 (2005: £274,000) due to Taylor Clark plc in respect of loan stock.
- 3 The group had an investment in Equinox 2001 Limited ("Equinox") which was acquired in the year ended 31 March 2001. The group owned 50% of the voting rights of this property development company and exercised joint control of this investment which was deemed to be a joint arrangement which is not an entity as defined by FRS 9.  
  
During the year ended 31 March 2006 the group received £60,875 (2005: £9,500) from Equinox. On 25 January 2006 Equinox was put into members voluntary liquidation. At 31 March 2006 the amount due to Equinox was £Nil (2005: £60,350).
4. The group has an investment in Bowmore Estates Limited ('Bowmore') which was acquired in the year ended 31 March 2005. The group owns 50% of the voting rights of this property development company and exercises joint control of this investment which is deemed to be a joint arrangement which is not an entity as defined by FRS 9.  
  
During the year ended 31 March 2006 the group advanced funding loans to Bowmore totalling £1,679,000 (2005: £1,587,500). At 31 March 2006 the principal of the loan was £3,266,500 (2005: £1,587,500) and interest of £235,192 (2005: £60,355) was accrued on the loan. In addition to the amount already advanced at 31 March 2006 the group is committed to provide up to £729,743 of funding to Bowmore.
- 5 Mr R Clark and his family and Mr C Clark are the ultimate controlling parties of the group.  
  
During the year no amounts were written off any of the balances with related parties.

# Financial record

for the years ended 31 March

	2006	2005 Restated (Note 1)	2004 Restated (Note 1)	2003	2002
	£'000	£'000	£'000	£'000	£'000
<b>Group turnover</b>	<b>16,645</b>	<b>19,812</b>	<b>7,061</b>	<b>12,944</b>	<b>27,473</b>
<b>Reconciliation of movements in shareholders' funds</b>					
Profit/(loss) after taxation	10,281	3,337	2,852	15	(1,670)
Dividends	(1,131)	(1,100)	(1,117)	(1,054)	(1,038)
Other recognised gains and (losses)	13,174	3,458	1,961	(4,133)	3,898
Purchase of own shares	–	(11,055)	–	–	–
Net movement of shareholders' funds	22,324	(5,360)	3,696	(5,172)	1,190
Opening balance of shareholders' funds	146,310	151,670	147,974	153,146	151,956
<b>Closing balance of shareholders' funds</b>	<b>168,634</b>	<b>146,310</b>	<b>151,670</b>	<b>147,974</b>	<b>153,146</b>
<b>Balance sheet</b>					
Fixed assets					
Tangible assets	62,513	70,438	54,337	49,819	54,397
Investments	47,493	36,346	40,208	36,018	43,133
Net current assets	80,017	60,975	58,570	63,251	58,445
Other liabilities and provisions	(21,389)	(21,449)	(1,445)	(1,114)	(2,829)
<b>Net assets</b>	<b>168,634</b>	<b>146,310</b>	<b>151,670</b>	<b>147,974</b>	<b>153,146</b>
<b>Capital and reserves</b>					
Called up share capital	1,351	1,351	1,573	1,573	1,573
Revaluation reserve	29,260	22,470	20,513	16,160	20,285
Other reserves	138,023	122,489	129,584	130,241	131,288
<b>Equity shareholders' funds</b>	<b>168,634</b>	<b>146,310</b>	<b>151,670</b>	<b>147,974</b>	<b>153,146</b>

## Directors of principal subsidiary companies

### Taylor Clark Properties Limited

Jon Brand  
John Dippie  
Christopher Edwards\*  
John Fox  
Reg Harvey  
Tim Simon\*

### Wylve Valley Farming Limited

Andrew Clark  
Antony Cox  
Reg Harvey

### Taylor Clark Inc

Reg Harvey\*  
John Dippie\*  
Andy Macdonald

*Managers*  
Crawford International Inc

\*Non-executive