11 5

31.1.81

Contents

Finlas Limited

Directors
M F Sanderson (Chairman)
C E B Burns
D G Evans (Deputy Chairman)
A K P Jackson
R V C Robins

Secretary
C E B Burns

Registered office
11 Suffolk Street, London SW1Y 4HG

Auditors
Thomson McLintock & Co
70 Finsbury Pavement
London EC2A 1SX

Bankers
Williams & Glyn's Bank Limited
38 Park Street, Croydon,
Surrey CR9 1YF

Midland Bank Limited
36 King Street, Thetford,
Norfolk IP24 2AS

Solicitors
Travers Smith, Braithwaite & Co
6-9 Snow Hill, London EC1A 2AL

Sacker & Partners
43 Great Marlborough Street,
London W1V 2NX

Chairman's statement

The year ended 31st January 1981 can be regarded as a satisfactory period for Finlas Limited.

In what have been acknowledged as severe recessionary conditions we have continued to strengthen our principal businesses in construction, private housing and property development whilst producing group profits of £1.6m before tax (advance corporation tax only) and extraordinary items. This profit arises after absorbing losses in printing and fine art and general publishing.

During the year under review, through the Whyatt subsidiary construction turnover from external sources reached a level just above the previous record. In addition Whyatt undertook some £1.98m of building turnover for other group subsidiaries. At the present time the Whyatt forward work loads both external and from group companies are at record levels, with overhead costs having been contained at around the 1979/80 base.

With the generally lower level of building activity nationally we were unable to make any significant advance in profit growth from plant hire, though profits were a little above those for the previous period. We have nevertheless continued to invest in new plant and strengthen our position generally so as to take advantage of any upturn in the construction sector.

During the 1980/1 period private housebuilding within the group again achieved satisfactory results in spite of a rather sluggish market. In the current year (1981/2) our housing operations continue to do well and four months into the year some 60% of the projected annual programme is the subject of a contract for sale or firm reservation. We have recently formed two new companies, one specifically to deal in the growing retirement homes market and the other to extend our operations in the North of England, based upon Leeds. These are unlikely to contribute to profits until 1982/3.

Whyatt Securities, the property development arm of the group, commenced and completed during the year the refurbishment and sale of a 23,000 sq. ft. long leasehold office complex in Plymouth. Also completed during the year was a 20,000 sq. ft. superstore, let to a major food retailer. Several first-class projects are currently in-hand, most with planning approvals obtained or imminent. In some cases provisional lettings and forward sales are well advanced. During 1980/1 rent reviews of office properties in the group's ownership produced substantially increased rental levels and established the basis for a major uplift in income from a further review due in the current year.

The year under review is generally acknowledged to have been the most severe for the printing industry in living memory and we were unable to escape its worst effects. Protracted national negotiations over pay and other conditions and the resultant high level of costs compelled many of the industry's major customers to place work with our overseas competitors. Our turnover dropped by 31%, producing a significant loss for the year. Since the year-end we have closed the Thetford factory and relocated our printing operations in Leeds. By this move overheads have been substantially reduced and Lowe & Brydone is currently operating at a level of turnover which, if maintained, will ensure a return to substantial profitability in the current year. Printing is referred to again in a wider context later in this report.

Fine Art Publishing suffered badly from the slump in retail trading during 1980. That our expectations of growth in this sector were not to be achieved was recognised at the half-year but we made the decision to continue with our planned programme of investment in production and promotion. The loss shown in the accounts reflects the considerable development capital which has been devoted to this area of our business. The present market view of Holsworthy Art Products as a significant force in fine art publishing, reinforced by considerably improving results in the current year, indicates that the decision to continue investment was the right one.

The more developed parts of your group are now established, well managed and successful in their fields. Each is capable of substantial future growth. This being so, and in line with indications made by the board in 1979, it is felt that we have reached an appropriate point for seeking a market for Finlas shares on The Stock Exchange. The board thinking on this matter is that we should confine the marketing of shares to the already developed elements of your group, that is construction, private housing, property development and plant hire.

The route most likely to be followed to achieve a quotation for our shares is by reverse takeover and we have been engaged in preliminary discussions with a small public company. In this connection it is hoped that we shall be able to provide shareholders with full details of proposals in the near future. This is not, of course, the only avenue open to us and the near-complete preparations made will enable us equally to seek a quotation for Finlas shares by a more direct route either through a full listing or by admission to the Unlisted Securities Market.

As part of these preparations we have arranged for the demerging of our printing and publishing activities prior to seeking a market in the shares. Our demerging proposals are such that existing Finlas shareholders will receive stock in a new grouping of printing and publishing companies by way of distribution and without cost to them.

Further details are set out in a circular which accompanies this report and contains notices of meetings of shareholders to approve the demerger.

M F Sanderson
22nd June 1981

Directors' report to the members

The directors present their report and accounts for the year ended 31st January 1981.

Group companies and activities
The Group's principal subsidiaries are listed in note 19 to the accounts.

The principal activities of the group are housing development, building contracting, plant hire, property development, printing and fine art publishing.

Results and dividends
The results for the year are shown in the profit and loss account on page 8. Turnover and profit of the group are attributed as follows:

	Turnover £'000	Operating profit before taxation £'000
Housing development	7,753	1,529
Building contracting and plant hire	8,271	1,049
Property development and dealing	2,240	648
Rental income	180	87
Printing	1,102	(178)
Fine art publishing	570	(265)
Central overhead	—	(584)
Interest	—	(686)
	20,116	1,600

Property development and dealing operating profit before taxation includes £221,000 on the sale of a property shown in the previous year within fixed assets.

A first interim dividend on the ordinary shares of 4p per share was paid on 2nd December 1980 and a second interim dividend of 6p per share was paid on 10th June 1981.

Plant, machinery and vehicles
The movement in plant, machinery and vehicles is shown in note 9 to the accounts.

Freehold and leasehold property
The movement in freehold and leasehold property is shown in note 10 to the accounts. Professional valuations of the majority of the freehold and long leasehold properties were carried out in 1979 and have been included in the accounts at those valuations. In the opinion of the directors the current market value is in excess of the value shown in the balance sheet.

Directors
Mr M F Sanderson, Mr C E B Burns, Mr D G Evans, Mr A K P Jackson and Mr R V C Robins were directors throughout the year.

Directors' interests
The beneficial interests of directors and their families in the ordinary shares of the Company were as follows:

	Ordinary shares of 25p each 31st January 1981	31st January 1980
M F Sanderson	2,030,000	2,175,000
C E B Burns	100,688	100,688
D G Evans	100,688	100,688
A K P Jackson	100,688	100,688
R V C Robins	10,005	10,005

There was no change in these holdings between 1st February 1981 and 31st May 1981.

Throughout the year Mr C E B Burns and Mr R V C Robins had a joint, but non-beneficial interest as trustees of The Malcolm Sanderson Settlement in 1,406,500 ordinary shares of 25p each in the Company.

From 15th May 1981 Mr A K P Jackson, Mr R V C Robins and Mr D G Evans had a joint, but non-beneficial interest as trustees of The James E Brydone Provident Fund in 24,998 ordinary shares of 25p each in the Company.

No Director had, at any time, a beneficial interest in the preference share capital of the Company. Throughout the year Mr A K P Jackson, Mr R V C Robins and Mr D G Evans had a joint, but non-beneficial, interest as trustees of the James E Brydone Provident Fund in

50,000 first cumulative redeemable preference shares and 125,038 second cumulative redeemable preference shares of the Company.

No director had any material interest in any contract of significance to the business of the Company at any time during the period under review.

Substantial shareholdings
So far as the directors are aware, apart from Mr M F Sanderson (33.5%) and The Malcolm Sanderson Settlement (23.2%), the only beneficial interests in excess of 5% in the issued ordinary share capital of the Company are held by the Industrial and Commercial Finance Corporation Limited (11.0%) and Townsend Construction Company Limited (8.2%).

Beneficial interests in excess of 5% of the issued first cumulative redeemable preference shares of the Company are as follows:

Industrial and Commercial Finance Corporation Limited	53.6%
James E Brydone Provident Fund	17.9%
J F Proctor	6.8%

The issued second cumulative redeemable preference shares of the Company are held as follows:

Industrial and Commercial Finance Corporation Limited	333,348	(34.2%)
Townsend Construction Company Limited	249,982	(25.6%)
James E Brydone Provident Fund	125,038	(12.8%)
The ITC Pension Trust Limited and the ITC Pension Investments Limited	79,978	(8.2%)
Hemsgate Investments Limited	66,658	(6.8%)
Midland Bank Trust Company Limited	59,998	(6.2%)
Possfund Nominees Limited	59,998	(6.2%)
	975,000	

Close company provisions
The Company is a close company under the provisions of the Income and Corporation Taxes Act 1970.

Exports
The value of direct exports from the United Kingdom by the group during the year was £107,000.

Employees
The average number of persons employed by the group during the year was 413 and their aggregate remuneration for the year amounted to £2,359,000.

Charitable and political donations
Charitable donations of £3,662 and no political donations were made during the year.

Auditors
The auditors, Thomson McLintock & Co, being eligible, offer themselves for re-appointment under Section 14(1) of the Companies Act 1976.

By order of the board
C E B Burns
Secretary
22nd June 1981

Notice of meeting

Notice of seventh annual general meeting

Notice is hereby given that the seventh annual general meeting will be held at 11 Suffolk Street London SW1Y 4HG on Wednesday, 15th July 1981 at 11.30 a.m. for the following purposes:

1 To receive and consider the directors' report and audited accounts for the year ended 31st January 1981.

2 To approve the directors' remuneration.

3 To re-appoint Thomson McLintock & Co as auditors, under section 14(1) of the Companies Act 1976.

4 To authorise the directors to fix the auditors' remuneration.

5 To transact any other business of an annual general meeting.

By order of the board
C E B Burns
Secretary
22nd June 1981

Notes

1 A member of the Company entitled to attend and vote is entitled to appoint one or more proxies, to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.

2 None of the directors has a service contract with the Company.

3 A statement of the transactions of the directors and their families in the Company's issued share capital during the year will be available for inspection at the Company's registered office during the usual business hours on any weekday (Saturday excluded) until, and also at, the seventh annual general meeting.

Auditors' report

To the members of Finlas Limited

London. 22nd June 1981. We have audited the financial statements on pages 8 to 18 in accordance with approved auditing standards. The financial statements of certain subsidiary companies, which are consolidated in these financial statements, were audited by other auditors.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and of the group at 31st January 1981 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1980.

The financial statements do not contain current cost accounts as required by Statement of Standard Accounting Practice No. 16.

Thomson McLintock & Co
Chartered Accountants

Consolidated profit and loss account

for the year ended 31st January 1981

	Note	year to 31st January 1981 £	16 months to 31st January 1980 £
Turnover		20,116,156	8,920,574
Profit before interest	2	2,286,298	983,725
Interest	4	685,622	269,023
Profit before taxation		1,600,676	714,702
Taxation	5	195,413	31,129
Profit after taxation and before minority interest		1,405,263	683,573
Loss attributable to minority interest		125	5,456
		1,405,388	689,029
Extraordinary item	6	260,000	—
Profit after extraordinary item		1,145,388	689,029
Dividends	7	751,112	156,335
Profit retained	14	394,276	532,694
Earnings per ordinary share before extraordinary item	8	20.8p	22.2p

The attached notes form part of these accounts.

Finlas Limited

Consolidated balance sheet

at 31st January 1981

	Note	£	31.1.81 £	£	31.1.80 £
Assets employed:					
Fixed assets					
Plant, machinery and vehicles	9		1,177,059		883,413
Property					
Freehold and leasehold	10		3,120,474		3,380,920
Current assets					
Development land		2,335,127		2,805,769	
Stock and work-in-progress	12	3,109,316		2,116,185	
Debtors		2,172,846		1,664,660	
Bank and cash balances		48,340		41.993	
Taxation recoverable		10,286		—	
		7,675,915		6,628,607	
Less: **Current liabilities**					
Creditors	13	4,100,138		3,554,570	
Bank overdrafts and short term loans (secured)		2,377,051		2,432,873	
Taxation	5	350,803		340,080	
Dividend	7	364,067		127,423	
		7,192,059		6,454,946	
Net current assets			483,856		173,661
			4,781,389		4,437,994
Financed by:					
Share capital	14		2,772,026		2,772,026
Share premium account			829,323		829,323
Reserves	15		732,040		375,645
			4,333,389		3,976,994
Long term loans	16		448,000		461,000
			4,781,389		4,437,994

Directors
M F Sanderson
A K P Jackson

The attached notes form part of these accounts.

Finlas Limited

Balance sheet

at 31st January 1981

	Note	£	31.1.81 £	£	31.1.80 £
Assets employed:					
Freehold property	10		27,160		15,138
Investments	11		4,660,778		4,041,878
Current assets					
Debtors		37,648		94,192	
Less: **Current liabilities**					
Creditors		29,354		54,338	
Bank overdraft (secured)		384,777		289,776	
Taxation	5	205,087		54,610	
Dividend	7	364,067		127,423	
		983,285		526,147	
Net current liabilities			(945,637)		(431,955)
			3,742,301		3,625,061
Financed by:					
Share capital	14		2,772,026		2,772,026
Share premium account			829,323		829,323
Reserves	15		140,952		23,712
			3,742,301		3,625,061

Directors
M F Sanderson
A K P Jackson

The attached notes form part of these accounts.

[illegible] Limited

Source and application of funds

for the year ended 31st January 1981

	12 months to 31.1.81 £	12 months to 31.1.81 £	16 months to 31.1.80 £	16 months to 31.1.80 £
Source of funds				
Profit for the year		1,600,676		714,702
Add: non cash items				
Depreciation	238,187		54,136	
Loss on disposal of fixed assets	26,820		—	
		265,007		54,136
Total generated from operations		1,865,683		768,838
Funds from other sources				
Disposal of fixed assets and property		495,233		—
Losses borne by minority		125		5,456
Issue of shares for cash		—		3,551,349
Long term loans		—		461,000
Investment in associated company now consolidated		—		217,390
		2,361,041		5,004,033
Application of funds				
Purchase of fixed assets and property	793,440		4,318,469	
Taxation	194,976		(7,332)	
Payment of dividends	514,468		28,912	
Acquisition of minority interest in subsidiary	37,881		—	
Long term loan repayment	13,000		—	
Deficit of assets purchased over cost of investment	—		182,560	
	1,553,765		4,522,609	
Increase/(decrease) in working capital				
Stocks	522,489		4,900,137	
Debtors	503,186		1,664,616	
Creditors	(285,569)		(3,495,863)	
Tax liabilities acquired	—		(246,657)	
	745,107		2,822,233	
		2,298,872		7,344,842
Movement in net liquid funds		62,169		(2,340,809)
Increase/(decrease) in cash and bank balances		62,169		(2,340,809)

Notes to the accounts

1 Accounting policies

Basis of consolidation

The consolidated accounts include the accounts of Finlas Limited and its subsidiary companies, all the accounts of which are made up to 31st January.

The effective date for consolidation of companies acquired is that on which an offer is declared unconditional in all respects.

For the period ended 31st January 1980 the trading results of the Whyatt Builders Limited and Finlas Group Limited groups of companies were consolidated from 23rd May 1979 and 3rd August 1979 respectively.

Turnover

Turnover, with the exception of turnover on long-term building contracts, represents the invoiced value of goods sold during the period excluding VAT, together with proceeds of sale of houses, land and developments.

Turnover on long-term building contracts represents the value of work executed during the period excluding VAT.

Profits on long term contracts are calculated in accordance with standard accounting practice and do not therefore relate directly to this turnover. Profit on contracts is taken at a stage near enough to completion for that profit to be reasonably certain after making provision for contingencies.

Acquisitions and disposals of properties

Acquisitions and disposals of properties are considered to have taken place where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract and, in the case of disposals, legal completion has taken place within six weeks.

Depreciation

No depreciation has been provided on the freehold and long leasehold property held for development and investment other than premises occupied by the group. Plant, machinery and vehicles are depreciated by equal annual instalments over their expected useful lives.

The principal annual rates used are:
Premises occupied by the group 2%
Printing plant 10% and 20%
Building plant 20%
Motor vehicles 20%
Office equipment 10% and 20%

Properties

No property is intended to be held as a long term investment. Profits or losses on disposals are treated as trading items and disclosed separately.

Development properties with work-in-progress

Development properties are valued at the lower of cost and net realisable value. The cost of development properties represents the original cost of acquisition and the development costs to date together with an appropriate proportion of the financing charges incurred since the date of acquisition.

Development land

Development land is valued at the lower of cost and net realisable value. The cost of development land represents the original cost of acquisition together with an appropriate proportion of the financing charges incurred since the date of acquisition.

Stock and work-in-progress

Work-in-progress on long-term building contracts is valued at cost plus attributable profit to the extent that this is reasonably certain after making provision for contingencies less any losses incurred or foreseen in bringing contracts to completion and less amounts received as progress payments. Cost for this purpose includes valuations of all work done by sub-contractors, whether certified or not, and all overheads other than those relating to general administration of the relevant companies.

Stock and work-in-progress relating to printing, publishing and house building are valued at the lower of cost and net realisable value. The cost of work-in-progress represents the cost of materials and labour including full production or site overheads.

Deferred taxation

Taxation deferred as a result of material timing differences is calculated at the rate of taxation applicable at the end of the accounting period. Such timing differences arise mainly from stock appreciation relief and from the excess of capital allowances over depreciation provided in the accounts.

In accordance with standard accounting practice deferred taxation is not provided where in the opinion of the directors it will not be payable in the foreseeable future. The amount of deferred taxation not provided is disclosed in note 8.

2 Profit before interest

The profit before interest has been arrived at after charging:

	year to 31.1.81	16 months to 31.1.80
	£	£
Depreciation	238,187	54,136
Hire of plant and machinery	150,221	132,376
Directors' emoluments (note 3)	147,793	76,572
Auditors' remuneration, including expenses	53,202	18,190
and after crediting:		
Rental income	150,100	82,546

Profit after taxation of £868,352 is dealt with in the accounts of the parent company.

3 Directors' emoluments

	£	£
Fees	—	6,455
Other emoluments	124,204	50,460
Contributions to pension scheme	23,589	4,657
	147,793	61,572
Compensation for loss of office	—	15,000
	147,793	76,572
Chairman, excluding pension contributions	61,184	29,485

Emoluments of directors, excluding pension contributions, were within the following ranges:

	year to 31.1.81	16 months to 31.1.80
Nil to £5,000	1	4
£5,001–£10,000	—	3
£15,001–£20,000	3	—
£25,001–£30,000	—	1
£60,001–£65,000	1	—

Emoluments of higher-paid employees, excluding pension contributions, were within the following ranges:

£20,000–£25,000	1	—

4 Interest

	£	£
On loans repayable after 5 years	55,359	23,477
On bank overdrafts and other loans repayable within 5 years	804,303	414,305
	859,662	437,782
Less interest added to development land and development properties	141,754	75,679
	717,908	362,103
Less interest receivable	32,285	93,080
	685,623	269,023

5 Taxation

	year to 31.1.81	16 months to 31.1.80
(i) The charge in the accounts comprises:	£	£
Taxation on the profit for the period		
U.K. corporation tax at 52%	(23,877)	23,433
Advance corporation tax	219,290	7,696
	195,413	31,129

The corporation tax charge for the current period has been reduced by tax losses from previous years and stock appreciation relief.
No provision for deferred taxation has been made. The major factor which gives rise to the potential liability for deferred taxation is stock appreciation relief, the majority of which arises in the housebuilding subsidiaries. The group's plans are for a continued investment in land and work-in-progress and it is not envisaged that the value of stocks will decrease significantly.
Consequently the directors consider that no liability for deferred taxation will arise in the foreseeable future.
Unutilised tax losses available for use against future trading profits are estimated to amount to £1,850,000 (1980 – £2,300,000).

	year to 31.1.81	16 months to 31.1.80
(ii) The potential amount of deferred taxation, calculated at a corporation tax rate of 52%, for all timing differences is set out below:	£'000	£'000
Stock appreciation relief	2,464	1,943
Capital allowances	567	496
Interest added to development land and property	186	112
Unutilised losses	(961)	(1,314)
Advance corporation tax	(222)	(52)
Other timing differences	(100)	(91)
	1,934	1,094

(iii) The taxation liabilities in the balance sheet comprise:	£	£
U.K. corporation tax	147,235	387,054
Advance corporation tax (Finlas Limited)	205,087	54,610
	352,322	441,664
Less: U.K. corporation tax recoverable	1,519	101,584
	350,803	340,080

6 Extraordinary item

	£	£
Provision for closure cost of factory including redundancy costs and provision for further rent	260,000	—

7 Dividends

	year to 31.1.81	16 months to 31.1.80
	£	£
First cumulative preference shares (11¼% net)	32,209	10,737
Second cumulative preference shares (11¼% net)	112,125	13,209
[illegible]las Group Limited cumulative preference shares (11% net)	—	4,966
	144,334	28,912
Ordinary shares		
Dividend of 2.1p net per share – paid 2nd April 1980	—	127,423
Dividend of 4.0p net per share – paid 2nd December 1980	242,711	—
Dividend of 6.0p net per share – paid 10th June 1981	364,067	—
	751,112	156,335

8 Earnings per share

The earnings per share are based on the profit (after taxation, minority interest and preference dividends) of £1,261,054 on 6,067,786 shares, being the average number of ordinary shares of 25p each ranking for dividend in issue during the year.

9 Plant, machinery and vehicles

Group	Cost	Depreciation	Net book value
	£	£	£
At 1st February 1980	1,262,656	379,243	883,413
Additions	635,533	—	635,533
Disposals	(210,143)	(88,017)	(122,126)
Depreciation charge for the year		219,761	(219,761)
At 31st January 1981	1,688,046	510,987	1,177,059

10 Freehold and leasehold property

	Freehold property	Leasehold property Long	Leasehold property Short	Group Total	Parent Company Total
Cost	£	£	£	£	£
At 1st February 1980	1,385,784	1,990,210	16,687	3,392,681	15,138
Additions	126,775	421	46,749	173,945	12,270
Disposals	(400,311)	(13,347)	(2,691)	(416,349)	—
At 31st January 1981	1,112,248	1,977,284	60,745	3,150,277	27,408
Depreciation					
At 1st February 1980	6,100	—	5,661	11,761	—
Charge for the year	4,821	9,700	3,905	18,426	248
Provided on disposals	—	—	(384)	(384)	—
At 31st January 1981	10,921	9,700	9,182	29,803	248
Net book value at 31st January 1981	1,101,327	1,967,584	51,553	3,120,474	27,160

11 Investments

	31.1.81	31.1.80
	£	£
Shares in subsidiary companies at cost	7,303,229	4,498,397
Amounts due from subsidiary companies	2,080,172	258,190
	9,383,401	4,756,587
Less: amounts due to subsidiary companies	(4,345,982)	(714,709)
provisions against subsidiaries	(376,641)	—
	4,660,778	4,041,878

The group's principal subsidiaries are listed in note 19. Amounts due from subsidiary companies are stated after taking account of proposed dividends.

12 Stock and work-in-progress

	31.1.81	31.1.80
	£	£
Long term building contracts	45,993,570	37,646,578
Less: progress payments	45,324,904	37,638,327
	668,666	8,251
Housing development	1,943,896	1,767,286
Printing and publishing stock	434,376	275,044
Printing work-in-progress	62,378	65,604
	3,109,316	2,116,185

13 Creditors

(i) Part of the amounts owing to trade creditors are or may be secured by the reservation by the suppliers of legal title to the goods supplied and to the proceeds of their sale. The amount secured in this way depends on the legal interpretation of individual contracts and cannot readily be determined. In the opinion of the directors the amount concerned is not material.

(ii) Creditors include £534,904 (1980—£415,269) relating to amounts outstanding on hire purchase agreements, of which £205,414 (1980—£225,959) is repayable after one year.

14 Share capital

	Authorised	Issued and fully paid
	£	£
First cumulative redeemable preference shares of £1	280,080	280,080
Second cumulative redeemable preference shares of £1	975,000	975,000
Ordinary shares of 25p each	1,519,920	1,516,946
	2,775,000	2,772,026

The preference shares carry the right to a fixed cumulative preferential dividend of 11[illegible]% (net) per annum. The first preference shares are to be redeemed at par in instalments on 31st July 1988, 31st January 1989 and 31st July 1990. The second preference shares are to be redeemed at par in instalments on 31st July in each of the years 1988, 1989 and 1990.

15 Reserves

	Group	Company
Profit and loss account:	£	£
At 1st February 1980	375,645	23,712
Retained profit for the year	394,276	117,240
	769,921	140,952
Goodwill arising on acquisition of minority interest in subsidiary	37,881	—
	732,040	140,952

The group reserves include adjustments for interest added to development land and property of £217,433, which is not distributable.

16 Long term loans

	31.1.81	31.1.80
	£	£
16¾% secured loan from Industrial & Commercial Finance Corporation Limited repayable by annual instalments between 1980 and 1991 including £13,000 due on 31st March 1981	148,000	161,000
13¾% secured loan from Industrial & Commercial Finance Corporation Limited repayable by three equal instalments on 30th September 1983, 1987 and 1991	300,000	300,000
	448,000	461,000

17 Capital expenditure

	£	£
Contracted for	59,000	66,000
Authorised but not contracted for	64,000	Nil

18 Contingent liabilities

At 31st January 1981 there were contingent liabilities in respect of guarantees relating to the following:

Company

(i) Unlimited cross guarantees, secured on all the assets of the Company, with other group companies to secure group borrowings.

(ii) Hire purchase contracts entered into by subsidiary companies of £410,816.

(iii) Performance of contracts entered into by subsidiary companies in the ordinary course of business including leasing transactions.

Company and group

(i) Rent of office premises on property disposed of amounting to £65,000 per annum.

(ii) Overdrafts granted to Tapp & Toothill (Holdings) Limited amounting to £1,000,000.

In the opinion of the directors no material loss will arise.

19 Principal subsidiary companies

Central services
Finlas Group Limited *

Housing development
Ferndale Homes South Limited *
Ferndale Homes West Limited *
Proctor Homes Limited * †

Building contracting and plant hire
Whyatt Builders Limited *
Peerless Plant North Limited †
Peerless Plant South Limited *

Printing
Lowe & Brydone Printers Limited *
King's English Typesetters Limited

Fine art publishing
Holsworthy Art Products Limited *
Holsworthy Publishing Limited *
The Holsworthy Gallery Limited *

Property development
Whyatt Securities Limited *

* Ordinary capital held by Finlas Limited
† These companies are audited by a firm other than Thomson McLintock & Co. Based on profits before taxation for the period the companies audited by Thomson McLintock & Co represent 91% of the group.

With the exception of The Holsworthy Gallery Limited (87½%) subsidiary companies are wholly owned by the Company; all are incorporated in Great Britain.

20 Subsequent events

(i) On 16th March 1981 Finlas Limited acquired Tapp & Toothill (Holdings) Limited and its subsidiary companies for £475,000 paid in cash. Tapp & Toothill is a printing group and is included in the companies which it is proposed to demerge as referred to below.

(ii) Accompanying the accounts are resolutions to be presented at shareholders' meetings for the approval of a demerger scheme whereby the printing and fine arts companies in the group will be transferred to a new holding company in exchange for shares in that new holding company issued directly to the shareholders of Finlas Limited. If this scheme is approved it is intended to write off the further advances made by Finlas Limited to the printing and fine arts companies since 1st February 1981. At 31st May 1981 the further advances amounted to £400,000. Accordingly, if the scheme is approved, the effect of the distribution arising on the demerger and these additional write-offs would be to reduce the net tangible assets of Finlas Limited by £1,250,000.

21 Approval of accounts

These accounts were approved by the board on 15th June 1981.