

**Honormead Limited**

**Annual Report**

**for the year ended 31 August 1999**

**Company No: 1229566**



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# **Honormead Limited**

## **Annual Report for the year ended 31 August 1999**

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**Directors' report  
for the year ended 31 August 1999**

The directors present their report and the financial statements for the year ended 31 August 1999.

**Principal activity**

The principal activities of the group during the year was managing schools for children between the ages of five and nineteen years with speech and communication problems and property developers.

**Review of business and future developments**

The directors consider that the level of business and year end financial business were satisfactory. They expect the level of activity to continue in the foreseeable future.

**Results and dividends**

The profit for the year after taxation amounted to £33,000 (1998: £517,000).

The directors recommend the payment of a final dividend for the year of £27,289 (1998: £27,289) and recommend that the balance be transferred to reserves.

**Directors and their interests**

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year were:

	Ordinary £1 shares	
	1999	1998
S G Brook	96,469	96,469
F Brook	27,659	27,659
A N Gillespie	-	-

**Year 2000**

The directors took steps to ensure that Year 2000 issues were addressed and would not materially effect operations and to date the company has experienced no Year 2000 problems.

Costs involved in ensuring Year 2000 compliance for all operating systems are not considered to be material to the operating results of the company.

**Employee involvement and employment of disabled persons**

The directors give special attention to the health and safety of their employees. An outline of the health and safety policy is sent out to all employees with contracts. There is a policy regarding the employment of disabled persons. Full and fair consideration of applications is carried out. Wherever possible, employment of disabled applicants for jobs suited to their needs is considered.

Many of our posts, since they are concerned with the management of children with special needs, are not suited to some types of disablement. The company is committed to equal employment but in practice in certain jobs it is not always practical to take disabled persons on. The intention is there but individual cases have to be judged on their own merit.

There is systematic provision of employee information, regular consultations and meetings so that the view of the employees can be taken into account at all levels.

**Statement of Directors' responsibilities**

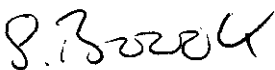
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

**By order of the Board**

**S G Brook**  
Secretary

**Auditors' report to the members of Honormead Limited**

We have audited the financial statements on pages 4 to 22, which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 7 to 8.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

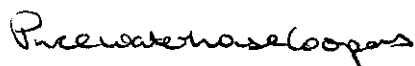
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the group and company at 31 August 1999 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**Derby**

3 March 2000

**Consolidated profit and loss account  
for the year ended 31 August 1999**

	Notes	1999 £	1998 £
Turnover	2	16,406	14,138
Cost of sales		(13,693)	(11,548)
<b>Gross profit</b>		<b>2,713</b>	<b>2,590</b>
Administrative expenses		(2,437)	(1,720)
<b>Operating profit</b>	3	<b>276</b>	<b>870</b>
Interest and similar items	4	(79)	(70)
<b>Profit on ordinary activities before taxation</b>		<b>197</b>	<b>800</b>
Taxation	7	(164)	(283)
<b>Profit on ordinary activities after taxation</b>		<b>33</b>	<b>517</b>
Dividends	8	(27)	(27)
<b>Retained profit for the financial year</b>	20	<b>6</b>	<b>490</b>

All amounts relate to continuing operations.

**Statement of group total recognised gains and losses**

	1999 £	1998 £
Profit for the financial year	33	517
Unrealised surplus on revaluation of properties	2,215	-
<b>Total recognised gains for the year</b>	<b>2,248</b>	<b>517</b>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**Balance sheets  
for the year ended 31 August 1999**

	Notes	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
<b>Fixed assets</b>					
Tangible assets	11	9,062	6,526	8,612	5,886
Investments	12	-	1	60	60
		<u>9,062</u>	<u>6,527</u>	<u>8,672</u>	<u>5,946</u>
<b>Current assets</b>					
Stocks	13	750	1,304	1	1
Debtors	14	930	1,195	1,434	911
Cash at bank and in hand		54	315	60	390
		<u>1,734</u>	<u>2,814</u>	<u>1,495</u>	<u>1,302</u>
<b>Creditors: amounts falling due within one year</b>	15	5,975	6,537	7,278	5,957
<b>Net current liabilities</b>		<u>(4,241)</u>	<u>(3,723)</u>	<u>(5,783)</u>	<u>(4,655)</u>
<b>Total assets less current liabilities</b>		<u>4,821</u>	<u>2,804</u>	<u>2,889</u>	<u>1,291</u>
<b>Creditors: amounts falling due after more than one year</b>	16	303	627	303	627
<b>Provisions for liabilities and charges</b>	18	223	103	14	-
<b>Net assets</b>		<u>4,295</u>	<u>2,074</u>	<u>2,572</u>	<u>664</u>
<b>Capital and reserves</b>					
Called up share capital	19	283	283	283	283
Revaluation reserve	21	2,215	-	2,215	-
Profit and loss account	20	1,797	1,791	74	381
<b>Equity shareholders' funds</b>	22	<u>4,295</u>	<u>2,074</u>	<u>2,572</u>	<u>664</u>

The financial statements were approved by the board on  
and signed on behalf of the directors

28 February 2000

*S G Brook*

**S G Brook  
Director**

**Consolidated cash flow statement  
for the year ended 31 August 1999**

	Notes	1999 £	1998 £
Net cash inflow from operating activities	23	1,683	773
<b>Returns on investments and servicing of finance</b>			
Interest received		5	40
Interest paid		(83)	(108)
Finance lease interest		(1)	(2)
		(79)	(70)
<b>Taxation paid</b>		(365)	(164)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(1,014)	(1,106)
Sale of tangible fixed assets		337	208
		(677)	(898)
<b>Equity dividends paid</b>		(27)	(27)
<b>Net cash inflow/(outflow) before financing</b>		535	(386)
<b>Financing</b>			
(Decrease)/increase in borrowings		(785)	123
Capital element of finance lease payments		(11)	(15)
<b>(Decrease) in net cash</b>	24	(261)	(278)
<b>Reconciliation to net debt</b>			
Net debt at 1 September		(1,109)	(723)
Decrease in cash in the period		(261)	(278)
Movement in borrowings		796	(108)
<b>Net debt at 31 August</b>		(574)	(1,109)



**Notes to the financial statements  
for the year ended 31 August 1999****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The company does not present its own profit and loss account, as permitted by Section 230 of the Companies Act 1985.

**Basis of consolidation**

The consolidated financial statements include the results of the company and all its subsidiary undertakings. Intra-group sales and profits are eliminated fully on consolidation.

The investment in the associated undertaking is not consolidated on the grounds of materiality.

**Goodwill**

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets required.

**Tangible fixed assets**

Interests in investment and freehold properties are stated at valuation. The cost of other tangible fixed assets is their purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant and machinery	10
Fixtures and fittings	15 to 20
Motor vehicles	25
Portacabins	20

The directors do not consider it appropriate to depreciate either land or freehold property since, in their opinion, the company owns historic buildings and any charge to depreciation would be immaterial as the estimated residual value of the buildings is not materially different from the carrying values of the buildings.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)****Tangible fixed assets (continued)**

No depreciation is provided on investment properties, since the directors consider that annual valuation, in place of depreciation, is necessary in order to give a true and fair view in the financial statements. The directors are of the opinion that the residual value of investment properties is equal to the valuation at the year end.

**Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value and comprises total costs incurred less any provisions for foreseeable losses.

**Capitalisation of interest**

Interest incurred on borrowings to finance property developments is capitalised up to the date of completion of the development.

**Grants**

Revenue grants are credited to the profit and loss account when received.

**Deferred taxation**

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability will crystallise.

**Pension costs**

The company operates four defined contribution pension schemes. All contributions are charged to the profit and loss account in the period in which they are due.

The company provides no other post-retirement benefits to its employees.

**Finance leases**

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their useful lives. The finance charges are allocated over the period of the lease on a straight line basis.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**2 Turnover**

All turnover arose within the United Kingdom.

	Turnover		Profit/(loss) on ordinary activities before taxation	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Education	14,923	14,138	221	800
Property development	1,483	-	(23)	-
	<u>16,406</u>	<u>14,138</u>	<u>198</u>	<u>800</u>

**3 Operating profit**

Operating profit is stated after charging/(crediting):

	1999 £'000	1998 £'000
Depreciation of tangible fixed assets held under finance leases	5	12
Depreciation of tangible owned fixed assets	91	96
Loss on disposal of fixed assets	16	69
Amount written off fixed asset investment	1	-
Auditors' remuneration - audit fee (company £2,000 1998:£2,000)	16	16
- non audit services	5	5
Grants received	(15)	(33)
Exceptional item: Impairment of freehold property	244	-
	<u>244</u>	<u>-</u>

**4 Interest and similar items**

	1999 £'000	1998 £'000
Interest payable on bank loans and overdrafts	(83)	(108)
Interest payable on finance leases	(1)	(2)
	<u>(84)</u>	<u>(110)</u>
Total interest payable	(84)	(110)
Interest receivable	5	40
	<u>5</u>	<u>40</u>
Net interest payable	<u>(79)</u>	<u>(70)</u>

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**5 Employee information**

	1999 £'000	1998 £'000
Staff costs were as follows:		
Salaries	9,895	9,148
Social security costs	799	751
Other pension costs	176	175
	<hr/>	<hr/>
	10,870	10,074
	<hr/>	<hr/>

The average monthly number of employees (including executive directors) during the year was:

	1999 Number	1998 Number
By activity		
School staff	693	614
Directors and administration	32	26
Maintenance	66	43
	<hr/>	<hr/>
	791	683
	<hr/>	<hr/>

**6 Directors' emoluments**

	1999 £'000	1998 £'000
Aggregate emoluments	108	110
	<hr/>	<hr/>

There were no retirement benefits accruing to directors under defined contribution schemes.

**7 Taxation**

	1999 £'000	1998 £'000
Taxation on the profit for the year		
UK corporation taxation at 30.6% (1998: 31%)	166	296
Deferred taxation	20	2
Prior year adjustment	(22)	(15)
	<hr/>	<hr/>
	164	283
	<hr/>	<hr/>

The tax charge for the year has been increased by approximately £106,000 as a result of expenses which are not allowable for taxation purposes.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**8 Dividends**

	1999 £'000	1998 £'000
<b>Equity-ordinary</b>		
Final proposed: 9.6 p (1998: 9.6p) per share	27	27
	<u>27</u>	<u>27</u>

**9 Profits of holding company**

Of the profits attributable to shareholders, a deficit of £307,000 (1998: £505,000) is dealt with in the accounts of Honormead Limited.

**10 Intangible assets**

	Goodwill £'000
<b>Group</b>	
<b>Cost</b>	
At 1 September 1998 and 31 August 1999	119
	<u>119</u>
<b>Amortisation</b>	
At 1 September 1998 and 31 August 1999	119
	<u>119</u>
<b>Net book value</b>	
At 31 August 1999 and 1998	-
	<u>-</u>

# Notes to the financial statements for the year ended 31 August 1999 (continued)

## 11 Tangible fixed assets

### a) Tangible fixed assets

#### Group

	Freehold properties £'000	Investment property £'000	Motor vehicles £'000	Fixtures and equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 September 1998	6,653	-	267	1,290	8,210
Additions	944	-	21	49	1,014
Disposals	(346)	-	(11)	-	(357)
Reclassification	(739)	739	-	-	-
Revaluations	2,113	(239)	-	-	1,874
<b>At 31 August 1999</b>	<b>8,625</b>	<b>500</b>	<b>277</b>	<b>1,339</b>	<b>10,741</b>
<b>Depreciation</b>					
At 1 September 1998	496	-	151	1,037	1,684
Charge for the year	7	-	33	56	96
Disposals	-	-	(4)	-	(4)
Impairments	244	-	-	-	244
Reclassification	(239)	239	-	-	-
Revaluations	(102)	(239)	-	-	(341)
<b>At 31 August 1999</b>	<b>406</b>	<b>-</b>	<b>180</b>	<b>1,093</b>	<b>1,679</b>
<b>Net book value</b>					
<b>At 31 August 1999</b>	<b>8,219</b>	<b>500</b>	<b>97</b>	<b>246</b>	<b>9,062</b>
At 1 September 1998	6,157	-	116	253	6,526

The net book value of fixed assets includes an amount of £17,000 (1998: £36,000) in respect of assets held under finance leases.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**11 Tangible fixed assets (continued)**

Company	Freehold properties £'000	Investment property £'000	Motor vehicles £'000	Fixtures and equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 September 1998	6,101	-	158	143	6,402
Additions	901	-	-	9	910
Inter group transfer	-	-	-	13	13
Disposals	(128)	-	(6)	-	(134)
Reclassification	(739)	739	-	-	-
Revaluations	2,113	(239)	-	-	1874
<b>At 31 August 1999</b>	<b>8,248</b>	<b>500</b>	<b>152</b>	<b>165</b>	<b>9,065</b>
<b>Depreciation</b>					
At 1 September 1998	341	-	74	101	516
Inter group transfer	-	-	-	4	4
Charge for the year	-	-	21	11	32
Disposals	-	-	(2)	-	(2)
Impairments	244	-	-	-	244
Reclassification	(239)	239	-	-	-
Revaluations	(102)	(239)	-	-	(341)
<b>At 31 August 1999</b>	<b>244</b>	<b>-</b>	<b>93</b>	<b>116</b>	<b>453</b>
<b>Net book value</b>					
<b>At 31 August 1999</b>	<b>8,004</b>	<b>500</b>	<b>59</b>	<b>49</b>	<b>8,612</b>
At 1 September 1998	5,760	-	84	42	5,886

The net book value of fixed assets includes an amount of £17,000 (1998: £36,000) in respect of assets held under finance leases.

**Investment properties**

In accordance with SSAP 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of investment properties. The directors consider that this accounting policy results in the accounts giving a true and fair view.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**b) Analysis of land and buildings**

	Group				Company			
	1999 Freehold Property £'000	Investment Property £'000	1998 Freehold Property £'000	Investment Property £'000	1999 Freehold Property £'000	Investment Property £'000	1998 Freehold Property £'000	Investment Property £'000
Analysis of land and buildings at cost or valuation								
At cost	3,270	-	6,653	-	2,893	-	6,101	-
At valuation	5,355	500	-	-	5,355	500	-	-
	<u>8,625</u>	<u>500</u>	<u>6,653</u>	<u>-</u>	<u>8,248</u>	<u>500</u>	<u>6,101</u>	<u>-</u>

Freehold and investment properties were valued in June 1999 on the open market basis by Salloway & Associates, Surveyors & Valuers. These valuations have been incorporated into the financial statements and the resulting surpluses have been taken to the revaluation reserve and deficits written off to the profit and loss account.

No provision has been made for any tax or capital gains that might arise on the disposal of the groups properties at their balance sheet amounts (note 18).

If freehold land and buildings were stated on the historical cost basis, the amounts would be:-

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
At cost	6,512	6,653	6,135	6,101
Aggregate depreciation	(264)	(496)	(102)	(341)
Net book value based on historical cost	<u>6,248</u>	<u>6,157</u>	<u>6,033</u>	<u>5,760</u>



# Notes to the financial statements for the year ended 31 August 1999 (continued)

## 12 Investments

Group	Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
<b>Cost</b>			
At 1 September 1998	-	1	1
Amounts written off	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
At 31 August 1999	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Company</b>			
<b>Cost</b>			
At 1 September 1998 and 31 August 1999	110	-	110
	<hr/>	<hr/>	<hr/>
<b>Provision for diminution in value</b>			
At 1 September 1998 and 31 August 1999	50	-	50
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 August 1999	60	-	60
	<hr/>	<hr/>	<hr/>
At 1 September 1998	60	-	60
	<hr/>	<hr/>	<hr/>

### Interests in group undertakings:

Name of undertaking	Country of registration	Percentage of share capital held		Activities
		Held by company	Held by group	
Honoramead Schools Limited	England	100	-	Teaching
Highglade Builders Limited	England	100	-	Builders
ZR Builders (Derby) Limited	England	100	-	Builders
Grangecraft Limited	England	100	-	Dormant
Ridgewood Farm Limited	England	-	100	Farming
Tripose Limited	England	100	-	Dormant
Bladon House School Limited	England	-	100	Dormant
Caldwell House School Limited	England	-	100	Dormant
Colourcard (UK) Limited	England	-	100	Dormant
Longdon Hall School Limited	England	-	100	Dormant
Pipewood Limited	England	-	100	Dormant
The Grange (Derby) Limited	England	-	100	Dormant

### Interest in associated undertaking

The investment in the associated undertaking comprised 50% of the issued share capital of Edenbrook Developments Limited, which was incorporated in England. The company was struck off during the year ended 31 August 1999 and therefore the cost of the investment has been written off.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**13 Stock**

	<b>Group</b>		<b>Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials	12	11	1	1
Work in progress	709	1,251	-	-
Finished goods	29	42	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	750	1,304	1	1
	<hr/>	<hr/>	<hr/>	<hr/>

**14 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>				
Trade debtors	669	1,097	27	3
Amounts due from subsidiary undertakings	-	-	1,321	889
Other debtors	145	66	70	9
Prepayments and accrued income	39	32	11	10
Corporation tax recoverable	77	-	5	-
	<hr/>	<hr/>	<hr/>	<hr/>
	930	1,195	1,434	911
	<hr/>	<hr/>	<hr/>	<hr/>

**15 Creditors – amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank and other borrowings (note 17)	318	786	1,927	1,223
Trade creditors	519	431	5	-
Amounts due to group undertakings	-	-	4,964	4,253
Finance leases (note 17)	7	11	7	11
Corporation tax	153	297	146	11
Other taxes and social security	253	237	25	22
Proposed dividend	27	27	27	27
Other creditors	4,465	4,540	127	368
Accruals and deferred income	233	208	50	42
	<hr/>	<hr/>	<hr/>	<hr/>
	5,975	6,537	7,278	5,957
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**16 Creditors – amounts falling due after more than one year**

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank and other borrowings (note 17)	303	620	303	620
Finance leases (note 17)	-	7	-	7
	<u>303</u>	<u>627</u>	<u>303</u>	<u>627</u>

**17 Loans and other borrowings**

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank overdrafts and loans	301	984	1,910	1,421
Other loans	320	422	320	422
Finance leases	7	18	7	18
	<u>628</u>	<u>1,424</u>	<u>2,237</u>	<u>1,861</u>

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<b>Maturity of debt</b>				
In one year or less	318	786	1,927	1,223
Between one and two years	118	317	118	317
Between two and five years	185	303	185	303
	<u>621</u>	<u>1,406</u>	<u>2,230</u>	<u>1,843</u>

The bank loans and overdraft are secured by fixed charges over a number of the group freehold properties. There is also a series of unlimited cross guarantees between certain group companies in favour of the group's bankers.

Included in bank loans is an amount of £301,000 (1998: £378,000) which is payable in equal quarterly instalments of £19,440. The loan bears interest based on LIBOR.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**17 Loans and other borrowings (continued)**

Other loans comprise:

A loan of £120,000 (1998: £160,000) made by Mrs B W Brook secured on the assets of the company and repayable, at £40,000 per annum commencing on 29 March 1998. The loan bears interest at 2% above LIBOR.

An ECSC loan of £200,000 (1998: £200,000) secured on the assets of the company and repayable in one instalment due on 20 December 1999. The loan bears interest based on LIBOR.

**Finance leases**

Future minimum payments under finance leases are as follows:

	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Within one year	7	11	7	11
Between two and five years	-	7	-	7
	<u>7</u>	<u>18</u>	<u>7</u>	<u>18</u>

**18 Provisions for liabilities and charges**

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Deferred taxation	23	3	14	-
Other	200	100	-	-
	<u>223</u>	<u>103</u>	<u>14</u>	<u>-</u>

	Group £'000	Company £'000
<b>Deferred taxation</b>		
At 1 September 1998	3	-
Charged to profit and loss account	21	14
Prior year effect relating to tax rate change	(1)	-
	<u>23</u>	<u>14</u>
<b>At 31 August 1999</b>	<u>23</u>	<u>14</u>

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**18 Provisions for liabilities and charges (continued)**

Provision for deferred tax comprises:

	Group				Company			
	Provided		Unprovided		Provided		Unprovided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Accelerated capital allowances	34	3	-	-	14	-	-	-
Losses	(11)	-	-	-	-	-	-	-
	<u>23</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>

The unprovided amount excludes any capital gains which might arise on the disposal of properties at their balance sheet amounts as any material liability is unlikely to crystallise due to the law relating to roll-over relief. The amount, therefore, has not been quantified.

The other provision is for a number of legal claims made against a subsidiary company in previous years. An additional amount has been provided in the year as the directors consider that the costs of settling these claims may be higher than originally estimated.

**19 Called up share capital**

	1999 £'000	1998 £'000
<b>Authorised</b>		
300,000 ordinary £1 shares	300	300
<b>Issued and fully paid</b>		
282,800 ordinary £1 shares	283	283

**20 Profit and loss account**

	Group	Company
At 1 September 1998	1,791	381
Profit/ (loss) for the year	6	(307)
At 31 August 1999	<u>1,797</u>	<u>74</u>

**21 Revaluation reserve**

	Group £'000	Company £'000
Revaluation in year and at 31 August 1999	<u>2,215</u>	<u>2,215</u>

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**22 Reconciliation of movements in shareholders' funds**

	1999 £'000	1998 £'000
Profit for the year	33	517
Dividends	(27)	(27)
Net addition to shareholders' funds	6	490
Revaluations	2,215	-
At 1 September	2,074	1,584
At 31 August	4,295	2,074

**23 Cash flow from operating activities**

Reconciliation of operating profit to net cash flow from continuing operating activities

	1999 £'000	1998 £'000
Operating profit	276	870
Depreciation charge	96	108
Loss on disposal of fixed assets	16	69
Amount written off fixed asset investment	1	-
Decrease/(increase) in stocks	554	(988)
Decrease in debtors	342	99
Increase in creditors	54	615
Impairments	244	-
Increase in provisions	100	-
Net cash inflow from operating activities	1,683	773

**24 Reconciliation of movement in net debt**

	At 1 September 1998 £'000	Cash flows £'000	At 31 August 1999 £'000
Cash at bank and in hand	315	(261)	54
Overdrafts			
Debt due within one year	(786)	468	(318)
Debt due after one year	(620)	317	(303)
Finance leases	(18)	11	(7)
Total	(1,109)	535	(574)

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)****25 Contingent liabilities**

The company has given an unlimited guarantee to secure the bank borrowings of other companies in the group. At 31 August 1999 group borrowings amounted to £451,201 (1998: £935,239).

**26 Transactions with related parties**

The company has taken advantage of the exemptions in FRS 8 not to report transactions with companies which are at least 90% owned by the group.

During the year the group has undertaken the following transactions in which S G Brook has an interest as a shareholder and director;

- a) Sales of £32,004 (1998: £100,972) to and purchases of £46,185 (1998: £34,019) from Grangecraft (Garden Centre) Limited.
- b) Cash advances have been made to Grangecraft (Garden Centre) Limited during the year. At the year end an amount of £32,661 was due from Grangecraft (Garden Centre) Limited (1998: £Nil) in respect of these. The maximum balance outstanding during the year was £32,661. No interest is charged on these advances.
- c) An amount was outstanding from Grangecraft (Garden Centre) Limited at the year end of £18,762 (1998: £14,705).
- d) The overdraft facility and loan of Grangecraft (Garden Centre) Limited are guaranteed by a limited guarantee of £100,000.

Also during the year, the company made payments of £22,146 (1998: £23,000) to Neil Gillespie Business Developments Limited, a company controlled by A N Gillespie, in respect of his fees as a director. There were no amounts outstanding with this company at 31 August 1999 (1998: £Nil).

During the year a property owned by a subsidiary company was occupied by S G Brook, a director and shareholder, for no rent. At the year end this property was acquired by S G Brook for £218,398 which was the open market value of the property. S G Brook also acquired land from the company for £26,602 which was the open market value of the land. Also a property owned by the company was occupied by V Gottschald, a shareholder, for no rent. This property was acquired at the year end by V Gottschald for £85,000 which was the open market value.

Included within other debtors is an amount of £12,000 (1998: £Nil) due from F Brook a director. This loan is unsecured, interest free and has no fixed repayment date. The maximum balance outstanding during the year was £12,000.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**27 Capital commitments**

The company and group had no capital commitments at 31 August 1999 (1998: £Nil).

**28 Pension costs**

The company operates four defined contribution pension schemes covering the majority of its permanent employees, the assets of which are held separately from the company in an independently administered fund. Contributions to the scheme during the year amounted to £176,000 (1998: £175,000).

Contributions totalling £15,411 (1998:£35,435) were payable to the fund at the year end and are included in creditors.

**29 Ultimate controlling party**

There is not considered to be any individual party controlling Honormead Limited.