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FOXTONS LIMITED

REPORTS AND FINANCIAL STATEMENTS

30 SEPTEMBER 1990

PANNELL KERR FORSTER  
Chartered Accountants



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**FOXTONS LIMITED  
ANNUAL REPORT  
YEAR ENDED 30 SEPTEMBER 1990**

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**FOXTONS LIMITED**  
**DIRECTORS' OFFICERS AND REGISTERED OFFICE**  
**YEAR ENDED 30 SEPTEMBER 1990**

**DIRECTORS**

J M Hunt  
S J Cusack (appointed 29.03.90)

**SECRETARY**

S J Cusack

**REGISTERED OFFICE**

94-98 Old Brompton Road  
London SW7 3RD

**AUDITORS**

Pannell Kerr Forster  
Chartered Accountants  
New Garden House  
78 Hatton Garden  
London EC1N 8JA

**FOXTONS LIMITED  
DIRECTORS' REPORT  
YEAR ENDED 30 SEPTEMBER 1990**

The directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 September 1990.

**PRINCIPAL ACTIVITY**

The principal activity of the company is that of estate agents.

**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

A summary of the results of the year's trading is given in the profit and loss account on page 4 of the financial statements. The company has suffered further significant losses since the year end, although it has benefited from an extraordinary profit of £195,395 on the transfer of the lettings business to Mr J M Hunt, as detailed in Note 18 to the financial statements. The directors' view is that, with the financial support described in Note 1 to the financial statements, modest profits are achievable in the year to 30 September 1992.

**DIVIDENDS**

The directors are unable to recommend the payment of a dividend.

**FIXED ASSETS**

Changes in fixed assets are shown in notes 8 and 9 to the financial statements. In the directors' opinion there is no significant difference between book value and market value of freehold and leasehold property.

**DIRECTORS**

The directors who held office during the year, together with their beneficial interests in the share capital of the company, were as follows:

	Ordinary shares of £1 each	
	<u>30 September 1990</u>	<u>1 October 1989</u>
J M Hunt	10,000	10,000
S J Cusack (appointed 29.3.90)	-	-

**AUDITORS**

A resolution to reappoint the auditors, Pannell Kerr Forster, will be proposed at the annual general meeting.

ON BEHALF OF THE BOARD

  
J M Hunt  
Director

19.12.....1991

**AUDITORS' REPORT TO THE MEMBERS OF  
FOXTONS LIMITED**

We have audited the financial statements set out on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above, we draw attention to Note 1 to the financial statements which describes the basis on which they have been prepared.

*Pannell Kerr Forster*

PANNELL KERR FORSTER  
Chartered Accountants

London

*20 Dec 1991*  
..... 1991

**FOXTONS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 SEPTEMBER 1990**

	<u>Notes</u>	<u>£</u>	<u>1990</u>	<u>£</u>	<u>£</u>	<u>1989</u>	<u>£</u>
Turnover	3		2,548,220			1,779,837	
Cost of sales			(331,722)			-	
Gross profit			2,216,498			1,779,837	
Administrative expenses		(490,191)			(649,671)		
Other operating expenses		(1,636,207)			(1,773,785)		
			(2,126,398)			(2,423,456)	
Operating profit/(loss)	4(a)		90,100			(643,619)	
Interest receivable			13,730			8,720	
Interest payable and similar charges	4(b)		(231,123)			(132,587)	
(Loss) for the financial year before taxation			(127,293)			(767,486)	
Taxation	7		10,336			213,500	
(Loss) on ordinary activities after taxation			(116,957)			(553,986)	
Extraordinary items	8		-			226,965	
(Loss) for the financial year			(116,957)			(327,021)	
Reserves brought forward			67,966			394,987	
Reserves carried forward			(48,991)			67,966	

The notes on pages 7 to 14 form an integral part of these financial statements.

**FOXTONS LIMITED**  
**BALANCE SHEET**  
**YEAR ENDED 30 SEPTEMBER 1990**

	Notes	£	1990 £	£	1989 £
<b>FIXED ASSETS</b>					
Intangible assets	9		475,151		594,189
Tangible assets	10		1,398,738		1,407,784
			<hr/>		<hr/>
			1,873,889		2,001,973
<b>CURRENT ASSETS</b>					
Debtors	11	710,863		1,022,717	
Cash at bank and in hand	12	257,782		333,289	
		<hr/>		<hr/>	
		968,645		1,356,006	
<b>CREDITORS</b>					
Amounts falling due within one year:					
Bank loans and overdrafts	13	238,952		593,699	
Other creditors	14	1,424,918		1,779,851	
		<hr/>		<hr/>	
		1,663,870		2,373,550	
<b>NET CURRENT LIABILITIES</b>			(695,225)		(1,017,544)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<hr/>		<hr/>
			1,178,664		984,429
<b>CREDITORS</b>					
Amounts falling due after more than one year	15		(766,755)		(429,063)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	16		(21,000)		(47,500)
			<hr/>		<hr/>
			390,909		507,866
<b>CAPITAL AND RESERVES</b>					
Share capital	17		10,000		10,000
Profit and loss account			(48,991)		67,966
Revaluation reserve			429,900		429,900
			<hr/>		<hr/>
			390,909		507,866
			<hr/>		<hr/>

Approved by the board on 19.12.1991

J M Hunt

Directors

S J Cusack

**FOXTONS LIMITED**  
**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**  
**YEAR ENDED 30 SEPTEMBER 1990**

	<u>1990</u>	<u>1989</u>
	£	£
<b>USE OF FUNDS</b>		
(Loss) on ordinary activities before taxation	(127,293)	(767,486)
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	255,159	219,673
Profit on disposal of fixed assets	(35,629)	(52,239)
Deferred revenue expenditure written off	70,038	278,496
<b>TOTAL GENERATED/(ABSORBED) BY OPERATIONS</b>	<u>162,275</u>	<u>(321,556)</u>
<b>FUNDS FROM OTHER SOURCES</b>		
Hire purchase and finance leases	182,364	236,555
Bank loans	242,160	310,058
Proceeds of sale of fixed assets	92,144	511,285
	<u>516,668</u>	<u>1,057,898</u>
<b>APPLICATION OF FUNDS</b>		
Hire purchase and finance leases repaid	(190,773)	(298,624)
Purchase of fixed assets	(271,256)	(789,114)
Purchase of goodwill	-	(490,000)
Director's loan	(189,173)	(210,494)
	<u>(651,202)</u>	<u>(1,788,232)</u>
	<u>27,741</u>	<u>(1,051,890)</u>
<b>DECREASE IN WORKING CAPITAL</b>		
(Decrease)/increase in debtors	(311,854)	108,828
Decrease/(increase) in creditors	125,102	(939,350)
	<u>(186,752)</u>	<u>(830,522)</u>
Movements in net liquid funds		
Increase/(decrease) in cash at bank	214,493	(221,368)
	<u>27,741</u>	<u>(1,051,890)</u>



**FOXTONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1990**

**1 BASIS OF PREPARATION**

The company suffered a loss on ordinary activities after taxation of £116,957 after writing off an exceptional bad debt of £38,509 net of tax relief; at 30 September 1990 net current liabilities exceeded current assets by £695,225. Further significant losses on ordinary activities have been incurred since the year end, although the company has benefited from an extraordinary profit of £195,395 on the transfer of its lettings business to Mr J M Hunt a director and the sole shareholder (see note 18).

Mr Hunt has undertaken to provide financial support to the company to a maximum of £50,000, if required, by way of loan and to lend to the company funds generated by the lettings business in excess of its own working capital requirements.

As a result of the foregoing and indications of ongoing facilities from the company's bankers, the financial statements have been prepared on a going concern basis.

**2 ACCOUNTING POLICIES**

**(a) Accounting convention**

The financial statements have been prepared using the historical cost convention as modified by the revaluation of fixed assets.

**(b) Turnover**

Turnover represents commissions receivable excluding value added tax. Where these relate to property sales, should completion of any contracts not take place appropriate provisions for credit notes are made.

**(c) Intangible fixed assets**

Purchased goodwill is amortised by equal annual instalments over its estimated useful life of 10 years.

**(d) Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off the cost of each asset on a straight line basis over its estimated useful life. No depreciation has been charged on assets not yet in use in the business, at the year end.

Property improvements	- 20% per annum
Motor vehicles	- 25% per annum
Furniture, fixtures and office equipment	- 20% to 33 $\frac{1}{3}$ % per annum
Computer equipment	- 25% per annum

**FOXTONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1990**

**2 ACCOUNTING POLICIES (continued)**

**(c) Deferred taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

**(f) Assets acquired under lease contracts and hire purchase agreements**

Assets acquired under finance leases and hire purchase agreements are capitalised in the year of purchase. The finance charge element of these agreements is written off over the period of the agreement according to the capital balance outstanding. Assets acquired under operating leases are not capitalised. Operating lease rentals are charged to the profit and loss account in the period to which they relate.

**(g) Deferred revenue expenditure**

Expenditure on new branches or projects for the accounting period in which they are initiated less any related income in that period is written off in equal instalments over a period of five years.

**3 TURNOVER**

The turnover and profit before taxation are attributed to the principal activity of the company and arise entirely within the United Kingdom.

**4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>1990</u> £	<u>1989</u> £
(a) The operating (loss)/profit is stated after charging:		
Director's emoluments:		
Salaries	24,230	131,250
Pension contributions	22,250	142,937
	<hr/> 46,480	<hr/> 274,187
Depreciation of tangible fixed assets	206,159	170,675
Auditors' remuneration	7,500	4,500
Deferred revenue expenditure written off	70,038	278,496
Exceptional bad debt written off	51,345	-
	<hr/>	<hr/>

**FOXTONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1990**

**4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)**

	<u>1990</u> £	<u>1989</u> £
(b) Interest payable and similar charges comprise:		
Interest payable on bank loans and overdrafts repayable within 5 years	180,027	83,477
Other interest and charges	51,096	49,110
	<hr/> 231,123	<hr/> 132,587

**5 STAFF NUMBERS AND COSTS**

The average number of persons (including directors) employed by the company during the year was as follows:

	<u>Number</u>	<u>Number</u>
Sales	25	28
Administration	11	12
	<hr/> 36	<hr/> 40

The aggregate payroll costs of these persons were as follows:

	<u>£</u>	<u>£</u>
Wages and salaries	775,105	841,748
Social Security costs	82,202	101,386
	<hr/> 857,307	<hr/> 943,134

**6 DIRECTOR'S EMOLUMENTS**

Director's emoluments, excluding pension contributions were as follows:

Chairman	-	131,250
Highest paid director	24,230	-
	<hr/> 24,230	<hr/> 131,250

**FOXTONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1990**

**7 TAXATION**

1990                      1989  
£                                      £

The charge for taxation comprises the following:

UK corporation tax:		
Overprovision in previous year	-	127,000
Provision at 25%	(16,164)	-
Deferred taxation at 35%	26,500	86,500
	<hr/>	<hr/>
	10,336	213,500
	<hr/>	<hr/>

**8 EXTRAORDINARY ITEMS**

Profit on sale of leasehold property	-	226,965
	<hr/>	<hr/>

**9 INTANGIBLE FIXED ASSETS**

Intangible fixed assets represent deferred revenue expenditure and goodwill as follows:-

	<u>Goodwill</u>	<u>Deferred revenue expenditure</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Balance brought forward at 1 October 1989	441,000	153,189	594,189
Amount written off	-	(70,038)	(70,038)
Amortisation	(49,000)	-	(49,000)
	<hr/>	<hr/>	<hr/>
Balance carried forward at 30 September 1990	392,000	83,151	475,151
	<hr/>	<hr/>	<hr/>

FOXTONS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 30 SEPTEMBER 1990

10 TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Leasehold improvements £	Motor vehicles £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost or valuation							
At 1 October 1989	825,000	98,350	130,000	301,385	305,635	137,838	1,798,208
Prior year adjustment	-	-	(34,695)	-	-	-	(34,695)
Additions	3,119	100,000	-	151,641	10,730	5,765	271,255
Disposals	-	(23,350)	-	(91,978)	-	(21,333)	(136,661)
At 30 September 1990	828,119	175,000	95,305	361,048	316,365	122,270	1,898,107
Depreciation and amortisation							
At 1 October 1989	-	7,070	-	133,529	143,321	55,725	339,645
Prior year adjustment	-	-	16,084	-	-	-	16,084
Charge for the year	16,562	5,000	8,986	90,263	63,640	21,708	206,159
Disposals	-	(7,070)	-	(55,449)	-	-	(62,519)
At 30 September 1990	16,562	5,000	25,070	168,343	206,961	77,433	499,369
Net book account							
At 30 September 1990	811,557	170,000	70,235	192,705	109,404	44,837	1,398,738
At 30 September 1989	825,000	91,280	130,000	167,856	162,314	82,113	1,458,563

The prior year adjustment arises as a result of the erroneous revaluation of leasehold improvements; comparative figures have been adjusted accordingly.

**FOXTONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1990**

**10 TANGIBLE FIXED ASSETS (continued)**

Included in the net book amount of £1,359,517 are assets held under lease contracts and hire purchase agreements amounting to £291,942.

The cost and net book value of freehold and leasehold property, calculated on the basis of historical cost, was as follows:

	<u>1990</u> £	<u>1989</u> £
Cost	455,941	455,941
Depreciation	20,341	20,341
	<hr/> 435,600	<hr/> 435,600

**11 DEBTORS**

Trade debtors	492,219	911,256
Other debtors	147,350	75,096
Prepayments - accrued income	71,294	36,365
	<hr/> 710,863	<hr/> 1,022,717

**12 CASH AT BANK AND IN HAND**

Cash at bank and in hand principally comprises tenants' deposits held in relation to rented properties managed by the company and rents received not yet paid on to client landlords. In accordance with the Estate Agents Act (1979) and associated legislation, these funds are separately identified as being held in trust.

**13 BANK LOANS AND OVERDRAFTS**

Bank borrowings are secured by fixed and floating charges over the company's assets.

**14 CREDITORS**

	<u>1990</u> £	<u>1989</u> £
Amounts falling due within one year:		
Trade creditors	292,858	952,069
Obligations under finance leases and hire purchase contracts (see note 14(b))	156,206	195,404
Other creditors	626,257	250,806
Other taxes and social security costs	264,568	208,457
Accruals	85,029	173,115
	<hr/> 1,424,918	<hr/> 1,779,851

**FOXTONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1990**

**15 CREDITORS**

	<u>1990</u> £	<u>1989</u> £
Amounts falling due after more than one year:		
Bank loans	572,381	342,479
Other loans	77,000	-
Obligations under finance leases and hire purchase agreements (note 14(b))	117,374	86,584
	<hr/> 766,755	<hr/> 429,063

- (a) The bank loan is repayable in instalments over a 15 year period with interest payable monthly on the capital outstanding at the rate of 3% per annum over the Bank of Scotland Base Rate.

The aggregate amount falling due for repayment is as follows:

	<u>1990</u> £	<u>1989</u> £
Due between one and five years	39,868	342,479
Due after five years	532,517	-
	<hr/> 572,385	<hr/> 342,479

- (b) The future minimum lease payments to which the company is committed under finance leases and hire purchase contracts are as follows:

Due within one year	156,206	195,404
Due between one and five years	117,374	86,584
	<hr/> 273,580	<hr/> 281,988

**FOXTONS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 SEPTEMBER 1990**

**16 DEFERRED TAXATION**

The provision for deferred taxation, which represents the full potential liability on timing differences expected to reverse in the near future has been calculated as follows:

	<u>1990</u> £	<u>1989</u> £
Timing differences arising from deferred revenue expenditure at 33%	47,500	134,000
Released due to write off of deferred revenue expenditure	(26,500)	(86,500)
	<hr/> 21,000	<hr/> 47,500

No provision has been made for deferred tax arising on the revaluation of freehold and leasehold properties as the directors do not intend to dispose of the properties in the foreseeable future. The potential liability arising in this respect is £161,000 (1989 : £168,000). In addition no provision has been made for deferred taxation of £57,000 arising as a result of rolled over chargeable gains on property sales.

**17 CALLED UP SHARE CAPITAL**

	<u>1990</u> £	<u>1989</u> £
Authorised: 50,000 Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
Allotted, called up and fully paid: 10,000 Ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>

**18 POST BALANCE SHEET EVENTS**

The company's lettings business was transferred to Mr J M Hunt as proprietor with effect from 1 October 1990, the consideration being £230,000 in respect of goodwill less net liabilities taken over at book value as follows:-

	£
Trade debtors	250,224
Trade creditors	(563,575)
Bank balances	257,639
	<hr/>
	(55,712)

After writing off deferred revenue expenditure the company's surplus on the transfer before taxation was £195,395. The directors intend to obtain roll over relief on the capital gain arising by reinvesting the proceeds.