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COMPANY NUMBER: 2052824

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**REPORT AND CONSOLIDATED ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**HORWATH  
CLARK WHITEHILL**  
*Chartered Accountants*

A member of Horwath International

Arkwright House Parsonage Gardens  
Manchester M3 2LE

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## **BANKHALL INVESTMENT MANAGEMENT LIMITED**

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**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**DIRECTORS AND ADVISERS**

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**DIRECTORS**

R M Stross (Chairman)  
M W Weaver  
J N Tate  
C P Smith  
S McGarey

**SECRETARY**

J N Tate

**REGISTERED OFFICE**

Bankhall House  
7 Market Street  
Altrincham  
Cheshire  
WA14 1QE

**BANKERS**

The Royal Bank of Scotland plc  
38 Mosley Street  
Manchester  
M60 2BE

**AUDITORS**

Horwath Clark Whitehill  
Arkwright House  
Parsonage Gardens  
Manchester  
M3 2LE

**SOLICITORS**

Fox Williams  
City Gate House  
39 - 45 Finsbury Square  
London  
EC2 1UU

**BANKHALL INVESTMENT MANAGEMENT LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 1997**

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The directors have pleasure in presenting their report and group accounts for the year ended 31 December 1997.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The purpose of this statement is to distinguish the directors' responsibilities for the accounts from those of the auditors as stated in their report.

Company law requires the directors to prepare accounts for each financial year which 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 accounts 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 accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the group will continue in business.

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

**PRINCIPAL ACTIVITY**

The principal activity of the group is that of investment and dealing and the provision of financial and associated services

**BUSINESS REVIEW**

The directors report another very successful year for the group with considerable progress being achieved by Bankhall Investment Associates Limited which has continued to develop the services provided to Independent Financial Advisers.

**RESULTS AND DIVIDENDS**

The group made an operating profit before an exceptional item of £319,160 (1996 £327,181). After making provision for the exceptional item there was an operating loss of £287,672.

The loss for the year after taxation was £531,601 (1996 - £305,365 profit) and the directors, who do not recommend the payment of a dividend, propose that this amount be transferred to reserves.

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

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**EVENTS SINCE THE YEAR END AND FUTURE DEVELOPMENTS**

After the year end a further £86,000 was spent renovating the freehold property. The property was inspected on 14 April 1998 by The Elliot Partnership and subsequently valued at £1,050,000. The directors intend to revalue the property in the next annual accounts.

**DIRECTORS**

The directors during the year were as follows:

R M Stross  
P H Hogarth (resigned 30 July 1997)  
D A Warnock (resigned 30 July 1997)  
M W Weaver  
J N Tate  
C P Smith (appointed 30 July 1997)  
S McGarey (appointed 30 July 1997)

**DIRECTORS' INTERESTS**

The directors who held office at 31 December 1997 had the following beneficial interests in shares of the company at the beginning and end of the financial year:


	1997		1996
	Ordinary shares of £1 each	Convertible Preference Shares of £1 each	'A' Ordinary Shares of £1 each
R M Stross	2	50,000	25,000
M W Weaver	1	-	-
J N Tate	-	-	-
C P Smith	-	-	-
S McGarey	-	-	-

M W Weaver is interested in 74 ordinary shares (1996:74) in Bankhall Investment Associates Limited, a subsidiary company. None of the other directors has any interest in the share capital of the subsidiary companies.

**AUDITORS**

After the year end the auditors changed their name to Horwath Clark Whitehill and have signed their report in their new name. In accordance with section 385 of the Companies Act 1985, a resolution proposing the reappointment of Horwath Clark Whitehill as auditors to the company will be put to the annual general meeting.

By order of the board

  
J N Tate  
Secretary  
28 April 1998

**HORWATH  
CLARK WHITEHILL**  
*Chartered Accountants*  
A member of Horwath International  
Arkwright House  
Parsonage Gardens  
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M3 2LE  
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**AUDITORS' REPORT  
TO THE SHAREHOLDERS OF BANKHALL INVESTMENT MANAGEMENT LIMITED**

We have audited the accounts on pages 5 to 20 which have been prepared under the accounting policies set out on pages 9 and 10.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 the information in the accounts.

**Unqualified opinion**

In our opinion the accounts give a true and fair view of the state of the affairs of the company and of the group at 31 December 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Horwath Clark Whitehill', written in a cursive style.

**HORWATH CLARK WHITEHILL**  
Chartered Accountants  
and Registered Auditors

Manchester  
28 April 1998

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

	Note	1997 £	1996 £
<b>TURNOVER</b>	2	11,949,761	7,377,299
Cost of sales		<u>(9,064,130)</u>	<u>(5,249,502)</u>
<b>GROSS PROFIT</b>		2,885,631	2,127,797
Administrative expenses		<u>(2,566,471)</u>	<u>(1,800,616)</u>
<b>OPERATING PROFIT BEFORE EXCEPTIONAL ADMINISTRATIVE EXPENSES</b>		319,160	327,181
Loan written off	7	<u>(606,832)</u>	—
<b>OPERATING (LOSS)/PROFIT</b>	3	(287,672)	327,181
Interest receivable and similar income	5	23,568	48,458
Interest payable and similar charges	6	(70,877)	(68,513)
Charge of provision on fixed asset investment		—	<u>(1,604)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(334,981)	305,522
Taxation	8	<u>(196,620)</u>	<u>(157)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(531,601)	305,365
Minority interests		<u>(167,697)</u>	<u>(61,616)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(699,298)	243,749
Dividend	9	—	<u>(30,000)</u>
<b>RETAINED (LOSS)/ PROFIT FOR THE FINANCIAL YEAR</b>	17	<u>(699,298)</u>	<u>213,749</u>

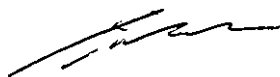
The profit and loss account contains all gains and losses recognised in the current and preceding year and the loss absorbed and profit retained in these years represents the only movement in shareholders' funds.

The notes on pages 9 to 20 form part of these accounts.

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**31 DECEMBER 1997**

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	11	<u>1,279,240</u>	<u>1,121,817</u>
<b>CURRENT ASSETS</b>			
Debtors	13	1,474,966	1,406,050
Cash at bank and in hand		<u>800,466</u>	<u>267,128</u>
		2,275,432	1,673,178
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(2,516,192)</u>	<u>(1,267,181)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(240,760)</u>	<u>405,997</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,038,480	1,527,814
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(660,248)</u>	<u>(617,981)</u>
<b>NET ASSETS</b>		<u>378,232</u>	<u>909,833</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	100,004	50,000
Profit and loss account	17	<u>47,504</u>	<u>796,806</u>
<b>SHAREHOLDERS' FUNDS</b>		147,508	846,806
Minority interests		<u>230,724</u>	<u>63,027</u>
		<u>378,232</u>	<u>909,833</u>

Approved by the board on 28 April 1998  
and signed on its behalf:



J N Tate  
Director

The notes on pages 9 to 20 form part of these accounts.



**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 1997**

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	11	57,687	67,366
Investments	12	<u>102,462</u>	<u>102,462</u>
		<u>160,149</u>	<u>169,828</u>
<b>CURRENT ASSETS</b>			
Debtors	13	533,585	1,093,917
Cash at bank and in hand		<u>307,735</u>	<u>1,473</u>
		841,320	1,095,390
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(352,058)</u>	<u>(417,664)</u>
<b>NET CURRENT ASSETS</b>		<u>489,262</u>	<u>677,726</u>
<b>NET ASSETS</b>		<u>649,411</u>	<u>847,554</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	100,004	50,000
Profit and loss account	17	<u>549,407</u>	<u>797,554</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>649,411</u>	<u>847,554</u>

Approved by the board on 28 April 1998  
and signed on its behalf:

  
J N Tate  
Director

The notes on pages 9 to 20 form part of these accounts.

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

	Note	1997 £	1996 £
<b>Net cash inflow from operating activities</b>	18	<u>838,777</u>	<u>187,173</u>
<b>Returns on investments and servicing of finance</b>			
Interest received and similar income		23,568	48,458
Interest paid		(50,288)	(50,114)
Interest element of hire purchase rentals		(20,589)	(18,393)
Interim dividend paid		<u>-</u>	<u>(30,000)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(47,309)</u>	<u>(50,049)</u>
<b>Taxation</b>			
Corporation tax paid		<u>(70,399)</u>	<u>(9,439)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(99,651)	(14,703)
Sale of tangible fixed assets		4,691	100,750
Proceeds from fixed asset investment		<u>-</u>	<u>25,773</u>
<b>Net cash (out)/in flow from capital expenditure and financial investment</b>		<u>(94,960)</u>	<u>111,820</u>
<b>Net cash inflow before financing</b>		<u>626,109</u>	<u>239,505</u>
<b>Financing</b>			
<i>Debt due within one year</i>			
Repayment of secured loan		-	(23,802)
<i>Debt due after more than one year</i>			
Increase to secured loan		35,000	-
Repayment of secured loan		(17,293)	-
Capital element of hire purchase rentals		<u>(110,478)</u>	<u>(141,928)</u>
<b>Net cash outflow from financing</b>		<u>(92,771)</u>	<u>(165,730)</u>
<b>Net increase in cash in the year</b>	20	<u>533,338</u>	<u>73,775</u>

The notes on pages 9 to 20 form part of these accounts

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

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**1. ACCOUNTING POLICIES**

**Basis of accounting**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

**Basis of consolidation**

The consolidated accounts incorporate the accounts of Bankhall Investment Management Limited and its subsidiary undertakings.

The financial year ends of two subsidiaries are not co-terminus with that of the company. Matrix Estates Network Limited was incorporated on 20 June 1996 and its first accounting period covers the 18 months to 19 December 1997. Bankhall Financial Services Limited was incorporated on 28 November 1997 and its first accounting period will be the 13 months to 31 December 1998.

The results of companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. No profit and loss account is presented for Bankhall Investment Management Limited as provided by Section 230 of the Companies Act 1985.

**Goodwill**

Goodwill arising on consolidation representing the excess of the consideration paid for subsidiary undertakings over the fair value of the net assets acquired is written off against reserves on acquisition.

**Turnover**

Turnover represents amounts recoverable from services provided during the year in the UK, excluding valued added tax.

**Depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets in use, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold property	-	over 50 years
Computer equipment	-	over 5 years
Furniture, fixtures and office equipment	-	over 10 years
Motor vehicles	-	over 5 years

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Fixed asset investments are stated at cost less provision for permanent diminution in value.

**Deferred taxation**

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that liabilities or assets will crystallise. Advance corporation tax is carried forward to the extent that it is expected to be recovered. Timing differences arise from certain items being included in taxation computations in periods different from those in which they appear in the accounts.

**Leased assets**

Assets acquired under finance lease and hire purchase agreements are included in tangible fixed assets and depreciated in accordance with the company's depreciation policy. The capital element of future lease payments is included in creditors.

The rentals payable under operating leases are charged on a straight line basis over the lease term.

**Pension costs**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

**2. TURNOVER**

Turnover wholly arises in the United Kingdom, and in the opinion of the directors there is only one class of business.

**3. OPERATING (LOSS)/PROFIT**

<b>This is stated after charging/(crediting) :</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Depreciation : owned assets	35,947	43,689
: leased assets	104,115	71,695
Loss/(profit) on sale of fixed assets	3,859	(26,317)
Auditors' remuneration	19,500	13,003
Reuter facility leasing charges	18,164	17,804
Operating lease rentals : Other	<u>26,308</u>	<u>14,816</u>

Included in auditors' remuneration are fees in respect of the company's audit amounting to £4,000 (1996: £5,235).

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

<b>4. STAFF COSTS (INCLUDING DIRECTORS)</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,100,949	794,367
Social security costs	103,228	83,327
Other pension costs	<u>11,557</u>	<u>13,706</u>
	<b><u>1,215,734</u></b>	<b><u>891,400</u></b>
The average monthly number of employees during the year was made up as follows:	<b>Number</b>	<b>Number</b>
Administration	<u>49</u>	<u>30</u>
		<b>£</b>
<b>Directors' emoluments:</b>		
Aggregate emoluments	325,203	322,058
Company contributions to a money purchase plan	<u>4,250</u>	<u>3,500</u>
	<b><u>329,453</u></b>	<b><u>325,558</u></b>
The highest paid director:		
Aggregate emoluments	<u>147,615</u>	<u>110,513</u>
There is one director to whom retirement benefits are accruing under the money purchase plan.		
<b>5. INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Interest receivable	23,568	17,370
Refund of monies in respect of overseas fund management	<u>-</u>	<u>31,088</u>
	<b><u>23,568</u></b>	<b><u>48,458</u></b>

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

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<b>6. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Bank overdraft interest	808	42
Repayable wholly or partly in more than five years	49,480	50,078
On finance lease and hire purchase contracts	<u>20,589</u>	<u>18,393</u>
	<u>70,877</u>	<u>68,513</u>

**7. EXCEPTIONAL ITEM**

The write off of the loan to Bankhall Developments Limited has been classified as an exceptional item as due to its size and nature it has a material effect on the group's results for the year.

**8. TAX ON LOSS ON ORDINARY ACTIVITIES**

Taxation is based on the loss for the year and comprises :	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
UK corporation tax at 31% (1996 - 33%)	192,781	68,610
Prior years :		
UK corporation tax under/(over) provided	<u>3,839</u>	<u>(68,453)</u>
	<u>196,620</u>	<u>157</u>

**9. DIVIDENDS**

Paid:		
Interim dividend of £0.30 per 'A' ordinary share	-	7,500
Interim dividend of £0.90 per 'B' ordinary share	<u>-</u>	<u>22,500</u>
	<u>-</u>	<u>30,000</u>

**10. LOSS FOR THE YEAR**

The loss attributable to the parent undertaking which has been dealt with in its own accounts is £198,143 (1996 : £142,867 profit).

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**11. TANGIBLE FIXED ASSETS**

<b>(a) Group</b>	<b>Freehold property £</b>	<b>Computer equipment and software £</b>	<b>Furniture, fixtures and office equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
1 January 1997	869,714	51,725	163,696	282,709	1,367,844
Additions	55,478	129,338	7,262	111,161	303,239
Disposals	—	—	—	(13,500)	(13,500)
<b>31 December 1997</b>	<b><u>925,192</u></b>	<b><u>181,063</u></b>	<b><u>170,958</u></b>	<b><u>380,370</u></b>	<b><u>1,657,583</u></b>
<b>Depreciation</b>					
1 January 1997	34,746	32,585	100,224	78,472	246,027
Provisions for year	17,395	32,674	17,154	70,043	137,266
Disposals	—	—	—	(4,950)	(4,950)
<b>31 December 1997</b>	<b><u>52,141</u></b>	<b><u>65,259</u></b>	<b><u>117,378</u></b>	<b><u>143,565</u></b>	<b><u>378,343</u></b>
<b>Net book value</b>					
Owned assets	873,051	41,862	53,580	-	968,493
Assets on lease and hire purchase	—	<u>73,942</u>	—	<u>236,805</u>	<u>310,747</u>
<b>31 December 1997</b>	<b><u>873,051</u></b>	<b><u>115,804</u></b>	<b><u>53,580</u></b>	<b><u>236,805</u></b>	<b><u>1,279,240</u></b>
<b>Net book value</b>					
Owned assets	834,968	19,140	63,472	-	917,580
Assets on lease and hire purchase	—	—	—	<u>204,237</u>	<u>204,237</u>
<b>31 December 1996</b>	<b><u>834,968</u></b>	<b><u>19,140</u></b>	<b><u>63,472</u></b>	<b><u>204,237</u></b>	<b><u>1,121,817</u></b>

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

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**11. TANGIBLE FIXED ASSETS (CONTINUED)**

(b) Company	Computer equipment	Furniture, fixtures and office equipment	Total
	£	£	£
<b>Cost</b>			
1 January 1997	36,312	158,406	194,718
Additions	<u>10,454</u>	<u>-</u>	<u>10,454</u>
<b>31 December 1997</b>	<b><u>46,766</u></b>	<b><u>158,406</u></b>	<b><u>205,172</u></b>
<b>Depreciation</b>			
1 January 1997	28,338	99,014	127,352
Provisions for year	<u>4,763</u>	<u>15,370</u>	<u>20,133</u>
<b>31 December 1997</b>	<b><u>33,101</u></b>	<b><u>114,384</u></b>	<b><u>147,485</u></b>
<b>Net book value</b>			
<b>31 December 1997</b>	<b><u>13,665</u></b>	<b><u>44,022</u></b>	<b><u>57,687</u></b>
31 December 1996	<u>7,974</u>	<u>59,392</u>	<u>67,366</u>



**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**12. FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings £
<b>Cost</b>	
1 January 1997 and 31 December 1997	<u>102,464</u>
<b>Provision for permanent diminution in value</b>	
1 January 1997 and 31 December 1997	<u>2</u>
<b>Net book value</b>	
31 December 1997	<u>102,462</u>
31 December 1996	<u>102,462</u>

The subsidiary undertakings of the parent are as follows :

<b>Company</b>	<b>Description of holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Principal activity</b>
Bankhall Financial Management Limited	Ordinary shares	81%	Financial advisers
Bankhall Investment Associates Limited	Ordinary shares Deferred 'C' Ordinary shares (non-voting)	59.25%  100%	Financial advisers
Matrix Estates Network Limited	Ordinary Shares	100%*	Mortgage broking and financial services
Resource Initiatives Limited	Ordinary shares	100%*	Marketing and associated services
Bankhall Financial Services Limited	Ordinary shares	100%*	Financial advisers

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**12. FIXED ASSET INVESTMENTS (CONTINUED)**

Investment Strategies (UK) Limited	Ordinary shares	100%*	Financial advisers
Buy Cabin Limited	Ordinary shares	100%	Property holding
The Personal Tax Partnership Limited	Ordinary shares	100%	Taxation and accountancy services

\* Held via subsidiary company

All the subsidiary undertakings are registered in England and Wales.

**13. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	1,420,321	785,660	329,582	129,975
Amounts owed by subsidiary undertakings	-	-	199,184	932,838
Other debtors	12,673	609,740	1,145	22,623
Prepayments and accrued income	41,972	9,803	3,674	7,634
Corporation tax	-	847	-	847
	<u>1,474,966</u>	<u>1,406,050</u>	<u>533,585</u>	<u>1,093,917</u>

**14. CREDITORS:**

amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loan	41,000	41,000	-	-
Hire purchase and finance lease liabilities	131,121	62,571	-	-
Trade creditors	1,582,110	899,567	255,750	92,299
Amount owed by subsidiary undertakings	-	-	7,441	241,687
Corporation tax	211,746	86,372	16,915	18,462
Other taxes and social security costs	41,498	42,475	4,886	14,007
Directors' loan accounts	87,750	-	-	-
Other creditors	290,856	525	25,000	-
Accruals and deferred income	130,111	134,671	42,066	51,209
	<u>2,516,192</u>	<u>1,267,181</u>	<u>352,058</u>	<u>417,664</u>

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**15. CREDITORS:**

amounts falling due after more than one year

	<b>Group</b>	
	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Bank loan	556,509	538,802
Hire purchase and finance lease liabilities		
In one to two years	58,043	62,571
In two to five years	<u>45,696</u>	<u>16,608</u>
	<u>660,248</u>	<u>617,981</u>
Bank loan repayable:		
in over 5 years	392,509	374,802
between 2 and 5 years	123,000	123,000
between 1 and 2 years	<u>41,000</u>	<u>41,000</u>
Amount due after more than one year	<u>556,509</u>	<u>538,802</u>

The bank loan is secured on the freehold property and bears interest at a rate of 2½% over base rate. The loan is repayable by 30 June 2010.

**16. CALLED UP SHARE CAPITAL**

	<b>Authorised</b>		<b>Allotted, issued and fully paid</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	4	-	4	-
Convertible preference shares of £1 each	100,000	-	100,000	-
'A' ordinary shares of £1 each	-	50,000	-	25,000
'B' ordinary shares of £1 each	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>25,000</u>
	<u>100,004</u>	<u>100,000</u>	<u>100,004</u>	<u>50,000</u>

On 30 July 1997 the 'A' and 'B' ordinary shares were consolidated into £1 ordinary shares and a pro rata issue of 50,000 further ordinary shares was made by capitalising £50,000 of the profit and loss account. The 100,000 £1 ordinary shares were then converted into convertible preference shares. A further 4 £1 ordinary shares were then issued by capitalising £4 of the profit and loss account.

The convertible preference shares give the holders certain rights in respect of dividends or other distributions, in respect of conversion into ordinary shares and in respect of voting at general meetings in certain circumstances.

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

<b>17. RESERVES</b>	<b>Profit and loss account £</b>
<b>(a) Group</b>	
1 January 1997	796,806
Retained loss	(699,298)
Capitalisation for share issues	<u>(50,004)</u>
<b>31 December 1997</b>	<b><u>47,504</u></b>

The cumulative amount of goodwill on acquisitions which has been set against the profit and loss account is £45,520 (1996 : £45,520).

	<b>Profit and loss account £</b>
<b>(b) Company</b>	
1 January 1997	797,554
Retained loss	(198,143)
Capitalisation for share issues	<u>(50,004)</u>
<b>31 December 1997</b>	<b><u>549,407</u></b>

<b>18. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>1997 £</b>	<b>1996 £</b>
Operating (loss)/profit	(287,672)	327,181
Depreciation	137,266	115,384
Loss/(profit) on sale of tangible fixed assets	3,859	(26,317)
Increase in debtors	(69,763)	(492,102)
Increase in creditors	<u>1,055,087</u>	<u>263,027</u>
<b>Net cash inflow from operating activities</b>	<b><u>838,777</u></b>	<b><u>187,173</u></b>

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

**19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1997 £	1996 £
Net increase in cash in the year	533,338	73,775
Cash outflow from decrease in debt and lease financing	<u>92,771</u>	<u>165,730</u>
Change in net debt in the year	626,109	239,505
New hire purchase contracts	<u>(203,588)</u>	<u>(62,626)</u>
Movement in net debt in the year	422,521	176,879
Net debt at 1 January 1997	<u>(454,424)</u>	<u>(631,303)</u>
Net debt at 31 December 1997	<u>(31,903)</u>	<u>(454,424)</u>

**20. ANALYSIS OF NET DEBT**

	At 1 January 1997 £	Cash flow £	Other non cash changes £	At 31 December 1997 £
Cash at bank in hand	267,128	533,338		800,466
Debt due within one year	(41,000)	-		(41,000)
Debt due after more than one year	(538,802)	(17,707)		(556,509)
Finance leases and hire purchase contracts	<u>(141,750)</u>	<u>110,478</u>	(203,588)	(234,860)
		92,771		
<b>Total</b>	<u>(454,424)</u>	<u>626,109</u>	<u>(203,588)</u>	<u>(31,903)</u>

**BANKHALL INVESTMENT MANAGEMENT LIMITED**  
**NOTES TO THE ACCOUNTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

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**21. RELATED PARTIES**

During the year the following transactions took place with related parties:

A loan of £606,832 due from Bankhall Developments Limited was written off. The company is wholly owned by R M Stross, P H Hogarth and D A Warnock who are shareholders in Bankhall Investment Management Limited.

The company collected commissions and management fees on behalf of Dunham Asset Management Limited and also purchased fund management services. C P Smith and S McGarey are directors and shareholders of this company. The total invoiced in the year was £207,976 and the balance outstanding at the year end was £161,737.

Included within other creditors for the group are short term loans totalling £265,856 from P H Hogarth and D A Warnock who are shareholders in Bankhall Investment Management Limited.

Bankhall Investment Associates Limited, a subsidiary company, provided services under normal business terms to a director and shareholder, S J Taylor, in his capacity as an Independent Financial Adviser. This resulted in Bankhall Investment Associates Limited collecting commissions on his behalf which were subsequently paid over to him net of commission retention and fees. The amount paid over was £10,814.

Bankhall Investment Associates Limited also provided services under normal business terms to M D P Lambe, a director of Matrix Estates Network Limited, in his capacity as an Independent Financial Adviser. This resulted in Bankhall Investment Associates Limited collecting commissions on his behalf which were subsequently paid over to him net of commission retention and fees. The amount paid over was £36,038.

In addition, in the normal course of business, the company engaged in investment transactions on behalf of a number of related parties. Full details of these transactions, which were conducted on an arms length basis, are not disclosed because of statutory regulations regarding client confidentiality

**22. CAPITAL COMMITMENTS**

	1997 £	1996 £
Contracted for but not provided in these accounts	<u>86,000</u>	—