

Bayfordbury Holdings plc
Annual report and financial statements
for the year ended 31 July 1998



Bayfordbury Holdings plc

Annual report and financial statements for the year ended 31 July 1998

	Pages
Directors and advisers	1
Directors' report	2 - 4
Report of the auditors	5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Balance sheet	8
Consolidated cash flow statement	9
Notes to the financial statements	10 - 25

Directors and advisers

Directors

J A Barham
P G Ayton FCA
S C Potter
L W Green FCA

Company secretary and registered office

P G Ayton FCA
Bayfordbury
Lower Hatfield Road
Hertford
Hertfordshire
SG13 8EE

Bankers

Barclays Bank plc
National Westminster Bank Plc
N M Rothschild & Sons Limited
The British Linen Bank Limited
Singer & Friedlander Limited

Solicitors

London:

Harold Benjamin & Collins
Howard Kennedy
Mishcon de Reya
Titmuss Sainer & Dechert

Hertford:

Jameson & Hill

Auditors

PricewaterhouseCoopers
Abacus House
Castle Park
Cambridge
CB3 0AN

**Directors' report
for the year ended 31 July 1998**

The directors submit their report and the audited financial statements for the year ended 31 July 1998.

Principal activities and business review

The principal activities of the group during the year were those of housing development, investment and construction. There has been no significant change in the activities of the group and it is the intention of the directors to continue these activities.

The principal activity of the company was that of a holding company.

Results and dividends

The results for the year are set out in the profit and loss account on page 6.

Dividends paid and proposed during the year are shown in note 10.

Directors

The directors who served during the year were:

J A Barham (Chairman)
L W Green
P G Ayton
S C Potter

Directors' interests in the shares of the company

The interests of the directors in the shares of the company were as follows:

	Number	
	1998	1997
Mr J A Barham held a beneficial interest in: Ordinary shares	3,826,200	3,826,200
Mr L W Green held a non-beneficial interest as Trustee of Barham Family Settlements in ordinary shares	1,198,800	1,198,800

Year 2000

The company has reviewed its computer systems for the impact of the Year 2000 date change. The major risks have been identified and an action plan put in place to address these in advance of the critical dates. The plan gives priority to the systems which could have a significant financial or legal impact if they were to fail.

The issue is complex and while no business can guarantee that there will be no Year 2000 problems, the directors believe that their plan and the resources allocated are appropriate and adequate to address the issue.

Directors' responsibilities

The directors are required by UK company law 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 as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st July 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and for preventing and detecting fraud and other irregularities.

Political contributions

During the year the group made a contribution of £Nil to the Conservative Party (1997: £5,000).

Payments to suppliers

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard or code which deals specifically with the payment of suppliers. The company makes very few direct purchases, as most services are obtained from subsidiary undertakings. Therefore, it is not possible to calculate the company's average creditor payment period. However, the average creditor payment period at 31 July 1998 for the group's largest trading company, Rialto Homes plc, was 27 days.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a series of loops and a long horizontal stroke.

Company Secretary

**Report of the auditors to the members of
Bayfordbury Holdings plc**

We have audited the financial statements on pages 6 to 25 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 company and of the group at 31 July 1998 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.



Chartered Accountants and Registered Auditors
Cambridge

3 November 1998

Consolidated profit and loss account for the year ended 31 July 1998

	Notes	1998 £000	1997 £000
Turnover: group and share of joint ventures		51,702	62,389
Less: share of joint ventures' turnover		(1,108)	(2,320)
Group turnover - continuing operations	1	50,594	60,069
Change in stocks of land and work-in-progress		15,130	(9,080)
Other operating income	5	465	446
		66,189	51,435
Land acquisition and development expenditure		27,566	7,367
Construction expenditure		25,455	29,341
Sales expenditure		3,871	5,649
		(56,892)	(42,357)
		9,297	9,078
Staff costs	3	3,553	2,752
Other charges		452	647
		(4,005)	(3,399)
Operating profit - continuing operations		5,292	5,679
Share of profit of associated undertaking		114	370
Profit on ordinary activities before interest		5,406	6,049
Interest receivable and similar income	6	211	65
Interest payable and similar charges	7	(1,107)	(1,289)
Profit on ordinary activities before taxation	2	4,510	4,825
Taxation	8	(1,383)	(1,322)
Profit on ordinary activities after taxation		3,127	3,503
Minority interests		(2)	(14)
Profit for the financial year	9	3,125	3,489
Dividends	10	(724)	(725)
Retained profit	19	2,401	2,764

The group has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

No note of historical cost profit and losses required by FRS 3, 'Reporting Financial Performance', has been presented as there is no difference between the profit reported above and the profit as determined on an unmodified historical cost basis.

Consolidated balance sheet at 31st July 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible assets	11	216	254
Investments			
Investments in joint ventures:			
Share of gross assets		27,499	735
Share of gross liabilities		24,915	241
		<u>2,584</u>	<u>494</u>
Other investments		4,435	240
	12	<u>7,019</u>	<u>734</u>
		<u>7,235</u>	<u>988</u>
Current assets			
Stocks	13	41,160	46,353
Debtors	14	5,905	6,697
Cash at bank and in hand		2,649	2,773
		<u>49,714</u>	<u>55,823</u>
Creditors: amounts falling due within one year	15	(20,842)	(34,347)
Net current assets		<u>28,872</u>	<u>21,476</u>
Total assets less current liabilities		36,107	22,464
Creditors: amounts falling due after more than one year	16	(17,063)	(5,824)
		<u>19,044</u>	<u>16,640</u>
Equity minority interests		5	8
Net assets		<u><u>19,049</u></u>	<u><u>16,648</u></u>
Capital and reserves			
Called up share capital	18	5,025	5,025
Reserve arising on consolidation	19	225	225
Profit and loss account	19	13,799	11,398
Equity shareholders' funds		<u><u>19,049</u></u>	<u><u>16,648</u></u>

Balance sheet at 31 July 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Investments	12	<u>20,261</u>	<u>18,065</u>
Current assets			
Debtors	14	508	402
Cash at bank and in hand		-	2
		<u>508</u>	<u>404</u>
Creditors: amounts falling due within one year	15	<u>(1,720)</u>	<u>(1,821)</u>
Net current (liabilities)		<u>(1,212)</u>	<u>(1,417)</u>
Total assets less current liabilities		<u>19,049</u>	<u>16,648</u>
Creditors: amounts falling due after more than one year	16	-	-
Net assets		<u><u>19,049</u></u>	<u><u>16,648</u></u>
Capital and reserves			
Called up share capital	18	5,025	5,025
Revaluation reserve	19	4,680	2,484
Profit and loss account	19	<u>9,344</u>	<u>9,139</u>
Equity shareholders' funds		<u><u>19,049</u></u>	<u><u>16,648</u></u>

The financial statements on pages 6 to 25 were approved by the board of directors on **3 November 1998** and were signed on its behalf by:




Chairman Financial Director

Consolidated cash flow statement for the year ended 31 July 1998

	Notes	1998 £000	1997 £000
Net cash (outflow)/inflow from continuing operating activities	24	(1,766)	13,144
Returns on investments and servicing of finance			
Interest paid		(1,094)	(1,345)
Interest paid on finance leases		(13)	(14)
Interest received		269	65
Net cash outflow from returns on investments and servicing of finance		(838)	(1,294)
Taxation			
UK corporation tax paid		(953)	(129)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(84)	(41)
Sale of tangible fixed assets		-	29
Sale of fixed asset investment		-	55
Loan repayment received from associated undertaking		-	829
Loan to joint ventures		(4,195)	-
Net cash (outflow)/inflow from capital expenditure and financial investment		(4,279)	872
Acquisitions and disposals			
Increase in shareholding of subsidiary undertaking		-	(17)
Decrease in shareholding of subsidiary undertaking		-	5
Increase in shareholding of joint venture		(2,000)	-
Net cash outflow from acquisitions and disposals		(2,000)	(12)
Equity dividends paid		(724)	(500)
Cash (outflow)/inflow before financing		(10,560)	12,081
Financing			
Loan drawdowns/(repayments)		10,498	(11,573)
Repayments of principal on finance leases		(62)	(77)
Net cash inflow/(outflow) from financing		10,436	(11,650)
(Decrease)/increase in cash in the period	25	(124)	431

Notes to the financial statements for the year ended 31 July 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the historical cost convention.

Changes in presentation of financial information

FRS 9 "Associates and joint ventures" has additional disclosure requirements for joint ventures. The new standard comes into effect for all accounting periods ending on or after 23 June 1998. Accordingly the new disclosure requirements are dealt with in these financial statements.

Basis of consolidation

The consolidated profit and loss account, balance sheet and cash flow statement include the financial statements of the company and its subsidiary undertakings made up to 31 July 1998. Intra-group sales and profits are eliminated fully on consolidation.

Joint ventures

The group's share of the profits of joint ventures is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from management accounts drawn up to 31 July 1998. Audited financial statements of Hither Green Developments Limited and York Road Limited were drawn up to 31 December 1997, being a requirement of the other shareholders of the companies.

Shares in joint ventures are stated in the parent company balance sheet at the group's share of net assets of these joint ventures.

Turnover and accounting for profit

Credit for sales to third parties has been taken either on legal completion or upon receipt of all monies due under an unconditionally exchanged contract for sale.

Turnover is the total amount received on completion of sales to third parties together with the appropriate value of work done on long-term contracts in progress to which a proportion of profit has been attributed and fees in respect of management contracts. This consists entirely of sales made in the United Kingdom.

Capitalisation of interest

Interest incurred on developments that are financed by loans specifically arranged and secured on those developments is capitalised and included within work in progress.

Interest incurred on finance that does not relate to specific developments is written off as incurred.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit on a straight line basis. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Fixed assets and depreciation

For the fixed assets set out below depreciation is calculated to write off their original cost by equal annual instalments over their estimated useful lives, which are considered to be:

Plant and site machinery	5 - 10 years
Motor vehicles	2 - 3 years
Fixtures, fittings, tools and equipment	3 - 7 years

Investment in subsidiaries

Shares in subsidiary companies are stated in the parent company balance sheet at the group's share of net assets of those companies after accounting for any adjustments that will be made on consolidation.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually by the directors, with the assistance of independent professional advice as required, and the aggregate surplus or deficit is transferred to a revaluation reserve.

The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for long term investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because of the number of properties in the portfolio and the lack of analysis of the value as between land and buildings.

Land and work-in-progress

Land and development work-in-progress is valued at the lower of cost and net realisable value in the normal course of business.

Long-term contract work-in-progress is valued at cost, plus a proportion of profits appropriate to the stage of completion less provision for anticipated losses, and is stated after deducting progress payments received. Foreseeable losses are provided for in full as soon as they are identified. Profits are not anticipated until the outcome of the contract can be assessed with reasonable certainty.

Deferred taxation

Provision is made for deferred taxation on the liability method to recognise timing differences between profits stated in the financial statements and profits computed for taxation purposes where it is probable that the liability to taxation is likely to crystallise on such timing differences.

Pension costs

The group contributes to a number of personal pension arrangements on behalf of its employees. The pension cost represents the contributions payable by the group to the schemes in respect of the accounting period.

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

Goodwill

Goodwill arising on consolidation represents the excess fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and joint ventures is written off immediately against reserves.

Related party disclosures

The company has taken advantage of the exemption available to 90% subsidiaries under FRS 8 "Related party disclosures" not to disclose transactions with other group companies.

2 Profit on ordinary activities before taxation

	1998 £000	1997 £000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of fixed assets	-	4
And after charging:		
Loss on disposal of fixed assets	-	55
Depreciation:		
- owned assets	38	53
- leased assets	84	55
Operating lease charges	530	460
Auditors' remuneration:		
- audit (company £5,000; 1997: £4,500)	68	63
- other services	64	64
	<u>64</u>	<u>64</u>

3 Employees

The average number of employees of the group within each category of persons was:

	1998	1997
Production staff	67	58
Sales and administration staff	96	99
	<u>163</u>	<u>157</u>
	<u>163</u>	<u>157</u>
	1998	1997
	£000	£000
Wages and salaries	4,682	3,564
Social security costs	502	371
Other pension costs	257	116
	<u>5,441</u>	<u>4,051</u>
Less: amounts charged to work in progress	(1,888)	(1,299)
Amount charged directly to the profit and loss account	<u>3,553</u>	<u>2,752</u>

4 Directors' emoluments

The remuneration payable to the directors of Bayfordbury Holdings plc was:

	1998 £000	1997 £000
Aggregate emoluments	556	486
Company pension contributions to money purchase schemes	78	50

Retirement benefits are accruing to four directors (1997: four directors) under money purchase schemes.

Emoluments payable to the highest paid director are as follows:

	1998 £000	1997 £000
Aggregate emoluments	194	189
Company pension contributions to money purchase scheme	43	-

5 Other operating income

	1998 £000	1997 £000
Rental income	117	131
Profit on disposal of fixed assets	-	4
Commission	348	311
	465	446

6 Interest receivable and similar income

	1998 £000	1997 £000
Other interest receivable	211	65

7 Interest payable and similar charges

	1998 £000	1997 £000
On bank loans	1,093	1,010
On other loans	1	254
On finance leases	13	14
Other interest	-	11
	<u>1,107</u>	<u>1,289</u>

There was no interest capitalised during the year by the company or its subsidiaries in respect of specific loans.

8 Taxation

	1998 £000	1997 £000
United Kingdom corporation tax at 31% (1997: 32.3%)		
Charge for the year	1,357	1,184
Underprovision in respect of prior year	2	-
Share of joint venture undertaking	24	138
	<u>1,383</u>	<u>1,322</u>

9 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	1998 £000	1997 £000
Holding company's profit for the financial year	929	755
Retained by subsidiary undertakings	2,108	2,516
Retained by associated undertaking	90	232
Minority interests	(2)	(14)
	<u>3,125</u>	<u>3,489</u>

10 Dividends

	1998 £000	1997 £000
Ordinary shares:		
Interim dividends paid of 9.95p per share (1997: 9.95p per share)	499	500
Final proposed of 4.48p per share (1997: 4.48p per share)	225	225
	<u>724</u>	<u>725</u>

11 Tangible fixed assets

Group

	Plant and site machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation			
At 1 August 1997	143	1,566	1,709
Additions at cost	-	84	84
	<u>143</u>	<u>1,650</u>	<u>1,793</u>
At 31 July 1998	<u>143</u>	<u>1,650</u>	<u>1,793</u>
Depreciation			
At 1 August 1997	141	1,314	1,455
Charge for year	2	120	122
	<u>143</u>	<u>1,434</u>	<u>1,577</u>
At 31 July 1998	<u>143</u>	<u>1,434</u>	<u>1,577</u>
Net book value			
At 31 July 1998	-	216	216
	<u>-</u>	<u>216</u>	<u>216</u>
Net book value			
At 31 July 1997	2	252	254
	<u>2</u>	<u>252</u>	<u>254</u>

The net book value of tangible fixed assets includes an amount of £88,470 (1997: £172,115) in respect of assets held under finance leases.

The company held no tangible fixed assets during the year.

12 Fixed asset investments

Group

	Investment properties £000	Investment in joint ventures £000	Loans £000	Total £000
Cost or valuation				
At 1 August 1997	240	494	-	734
Share of profits	-	90	-	90
Additions	-	2,000	4,195	6,195
	<u>240</u>	<u>2,584</u>	<u>4,195</u>	<u>7,019</u>
At 31 July 1998	<u>240</u>	<u>2,584</u>	<u>4,195</u>	<u>7,019</u>

Company

	Shares in group companies £000
Cost or valuation	
At 1 August 1997	18,065
Revaluations	2,196
At 31 July 1998	<u>20,261</u>

The cost of shares in group companies amounts to £15,581,275 (1997: £15,581,275).

Principal subsidiary undertakings

The company has a 100% interest in the issued share capital of the following companies:

	Nature of business
Rialto Homes plc	- Housing development and construction
Bayfordbury Investments Limited	- Property investment
Rialto (Stratford) Limited	- Ground rent collection
Rialto (Enfield) Limited	- Housing development and construction
Rialto No 1 Limited	- Dormant
Rialto Developments Limited	- Dormant

Bayfordbury Holdings plc has a 94% interest in the share capital of Rialto Estates Limited, a housing development and construction company.

Rialto Homes plc has a 100% interest in the issued share capital of the following companies:

	Nature of business
Rialto (Ocean Park) Limited	- Housing development and construction
Residential Design and Build Limited	- Housing development and construction
Rialto Properties Limited	- Property development and collection of rents
RMS Financial Services Limited	- Mortgage brokers
Rialto (Bayswater) Limited	- Housing development and construction

All companies are incorporated in England and all are included in these consolidated accounts.

Joint ventures

Rialto Homes plc has a 50% interest in the ordinary share capital of Hither Green Developments Limited, a housing development and construction company. The company is incorporated in England.

During the period, a subsidiary of the company acquired a 50% interest in Westfield Holdings Pte Limited, a Singapore company, for a consideration of £2 million in cash.

At the date of acquisition, the assets of Westfield Holdings Pte Limited acquired were:

	£000
Current assets	11,755
Current liabilities	(13,781)
	<u>(2,026)</u>
Fair value adjustment reflecting the fair value of the development land	4,026
	<u>2,000</u>

In addition, an amount of £2 million was loaned to Westfield Holdings Pte Limited.

Also during the year the company obtained a 41.25% interest in York Road Limited, a newly incorporated Jersey company, for a consideration of £165 in cash.

Following this investment £2,195,000 was loaned to York Road Limited.

Additional disclosures for joint ventures

	York Road Limited £000	Westfield Holdings Pte Limited £000	Hither Green Limited £000	Total £000
Share of assets				
Share of current assets	11,062	15,781	656	27,499
Share of liabilities				
Liabilities within one year	7,550	6,155	101	13,806
Liabilities after one year	3,483	7,626	-	11,109
	<u>11,033</u>	<u>13,781</u>	<u>101</u>	<u>24,915</u>
Share of net assets	<u>29</u>	<u>2,000</u>	<u>555</u>	<u>2,584</u>

13 Stocks

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Land and development work-in-progress	<u>41,160</u>	<u>46,353</u>	<u>-</u>	<u>-</u>

In order to comply with FRS 5 "Reporting the substance of transactions" £5,562,000 (1997: £23,952,538) of work in progress billed to and paid for by landowners with whom the group have management contracts which provide for the sharing of profits and losses, has been included in land and development work in progress and will not be de-recognised until the outcome of the contract can be determined. A corresponding amount is included in payments received on account in creditors.

14 Debtors

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Trade debtors	4,590	5,871	-	-
Amounts due from subsidiary undertakings	-	-	327	225
Group relief recoverable	-	-	181	121
ACT recoverable	-	56	-	56
Other debtors	304	517	-	-
Prepayments and accrued income	251	238	-	-
Corporation tax recoverable	-	15	-	-
Amounts owed by joint ventures	760	-	-	-
	<u>5,905</u>	<u>6,697</u>	<u>508</u>	<u>402</u>

ACT recoverable is an amount falling due after more than one year. It has been disclosed within current assets on the grounds of materiality.

15 Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Secured loans	2,315	117	-	-
Obligations under finance leases	61	62	-	-
Payments received on account	7,420	23,983	-	-
Trade creditors and accruals	7,551	6,429	13	-
Corporation tax	1,178	856	-	-
ACT payable	13	56	13	56
Other taxation and social security payable	1,199	141	-	-
Other creditors	284	2,168	-	-
Amounts owed to associated undertaking	594	308	1,469	1,540
Amounts owed to minority interests	2	2	-	-
Dividends payable	225	225	225	225
	<u>20,842</u>	<u>34,347</u>	<u>1,720</u>	<u>1,821</u>

The loans outstanding are secured by a fixed legal charge over the work in progress of Rialto Estates Limited.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	1998	1997	1998	1997
	£000	£000	£000	£000
Bank loans and obligations under finance leases				
Amounts falling due wholly within five years:				
Secured bank loans repayable on 31 July 2000				
Security is by way of a fixed and floating charge over the assets of the Rialto Homes plc group	14,000	5,700	-	-
Obligations under finance leases	63	124	-	-
Payments on account	3,000	-	-	-
	<u>17,063</u>	<u>5,824</u>	<u>-</u>	<u>-</u>

Finance leases

The net finance lease obligations to which the group is committed are:

	1998 £000	1997 £000
In one year or less	61	62
Between one and two years	45	61
Between two and five years	18	63
	<u>124</u>	<u>186</u>

17 Deferred taxation

Deferred taxation has not been provided in the financial statements as there is neither an actual nor a potential liability.

18 Called up share capital

	1998 £000	1997 £000
Authorised		
5,025,000 (1997: 5,025,000) ordinary shares of £1 each	<u>5,025</u>	<u>5,025</u>
Allotted, called up and fully paid		
5,025,000 (1997: 5,025,000) ordinary shares of £1 each	<u>5,025</u>	<u>5,025</u>

19 Reserves

	Reserve arising on consolidation £000	Profit and loss account £000
Group		
At 1 August 1997	225	11,398
Retained profit for the year	-	2,401
	<u>225</u>	<u>13,799</u>
At 31 July 1998	<u>225</u>	<u>13,799</u>

Group's share of post acquisition reserves of joint ventures included above

At 1 August 1997	494
Retained profit for the year	90
	<u>584</u>
At 31 July 1998	<u>584</u>

	Revaluation reserve £000	Profit and loss account £000
Company		
At 1 August 1997	2,484	9,139
Surplus on revaluation of investment in subsidiaries	2,196	-
Retained profit for the year	-	205
	<u>4,680</u>	<u>9,344</u>
At 31 July 1998	<u>4,680</u>	<u>9,344</u>

No provision has been made for the additional United Kingdom taxation that would accrue if the investments in subsidiaries were disposed of at their revalued amounts.

20 Reconciliation of movements in equity shareholders' funds

	1998 £000	1997 £000
Opening equity shareholders' funds	16,648	13,900
Increase in reserves for year	2,401	2,748
	<u>19,049</u>	<u>16,648</u>
Closing equity shareholders' funds	<u>19,049</u>	<u>16,648</u>

21 Financial commitments

At 31 July 1998 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Group	
	1998 £000	1997 £000	1998 £000	1997 £000
Expiring within one year	-	-	63	31
Expiring between two and five years inclusive	-	-	244	162
Expiring in more than five years	260	260	-	-
	<u>260</u>	<u>260</u>	<u>307</u>	<u>193</u>

At 31 July 1998, the following amounts, which have not been provided for in the accounts were contracted to be paid to complete the purchase of development land.

	Group	
	1998 £000	1997 £000
Due within the year ending 31 July 1999	<u>7,639</u>	<u>3,329</u>

22 Capital commitments

No capital expenditure has been authorised by the directors which has not yet been contracted for (1997: £Nil).

23 Contingent liabilities

Certain subsidiary undertakings have, in the ordinary course of business, entered into counter indemnities in respect of bonds relating to the group's own contracts. No liabilities are expected to arise in respect of these indemnities.

24 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1998 £000	1997 £000
Operating profit - continuing operations	5,292	5,679
Depreciation of tangible fixed assets	122	108
Profit on sale of tangible fixed assets	-	(4)
Loss on sale of investment properties	-	55
Profit on disposal of interest in subsidiary undertaking	-	(4)
Decrease/(increase) in stocks	5,193	(2,765)
Decrease/(increase) in debtors	605	(5,071)
(Decrease)/increase in creditors	(12,978)	15,146
Net cash (outflow)/inflow from continuing operating activities	(1,766)	13,144

25 Reconciliation of net cash flow to movement in net debt

	1998 £000	1997 £000
(Decrease)/increase in cash in the period	(124)	431
Cash (inflow)/outflow from (increase)/reduction in debt and lease financing	(10,436)	11,650
Change in net debt resulting from cash flows	(10,560)	12,081
New finance leases	-	(118)
Movement in net debt in the period	(10,560)	11,963
Net debt at 1 August	(3,230)	(15,193)
Net debt at 31 July	(13,790)	(3,230)

26 Analysis of net debt

	31 July 1998 £000	Cash flow £000	Other non cash changes £000	1 August 1997 £000
Net cash				
Cash at bank and in hand	2,649	(124)	-	2,773
Debt				
Finance leases	(124)	62	-	(186)
Debts falling due within one year	(2,315)	(2,198)	-	(117)
Debts falling due after one year	(14,000)	(8,300)	-	(5,700)
Net debt	(13,790)	(10,560)	-	(3,230)

27 Ultimate controlling party

The directors consider Mr J A Barham to be the ultimate controlling party of Bayfordbury Holdings plc.