

Bayfordbury Holdings plc**Annual report and financial statements
for the year ended 31st July 1996**

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Directors and advisers

Directors

J A Barham

P G Ayton FCA

S C Potter

L W Green FCA

Bankers

Barclays Bank PLC
National Westminster Bank Plc
N M Rothschild & Sons Limited
The British Linen Bank Limited

Solicitors

London:

Berwin Leighton
Denton Hall Burgin & Warrens
Howard Kennedy
Titmuss Sainer & Dechert

Hertford:

Jameson & Hill

Company secretary and registered office

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

Auditors

Coopers & Lybrand, Cambridge

**Directors' report
for the year ended 31st July 1996**

The directors submit their report and the audited financial statements for the year ended 31st July 1996.

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 5.

Dividends paid during the year are shown in note 10. The profit for the financial year after these dividends has been transferred to reserves. The directors do not recommend the payment of a final dividend.

Changes in fixed assets

Movements on fixed assets during the year are shown in notes 11 and 12 to the financial statements.

Directors

The directors who served during the year were:

J A Barham (Chairman)
L W Green
R H Glick (Resigned 31 July 1996)
P G Ayton
S C Potter

Insurance of directors

The group maintains insurance for Bayfordbury Holdings plc's directors in respect of their duties as directors of the group.

Directors' interests in the shares of the company

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

	Number	
	1996	1995
Mr J A Barham held a beneficial interest in: Ordinary shares	3,826,200	3,826,200
Mr R H Glick and Mr L W Green held a non-beneficial interest as Trustees of Barham Family Settlements in ordinary shares	1,198,800	1,198,800

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 1996. 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.

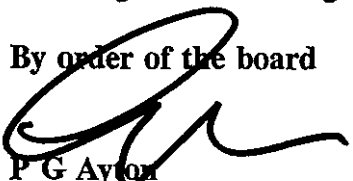
Payments to suppliers

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.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



P G Ayton
Company Secretary
5 December 1996

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

We have audited the financial statements on pages 5 to 22.

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.

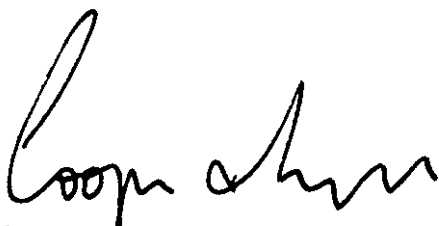
Basis of opinion

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 31st July 1996 and of the loss 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
5 December 1996

Consolidated profit and loss account for the year ended 31st July 1996

	Notes	1996		1995	
		£'000	£'000	£'000	£'000
Turnover - continuing operations	1		24,478		24,202
Change in stocks of land and work-in-progress			7,389		2,191
Other operating income	5		540		507
			<u>32,407</u>		<u>26,900</u>
Land acquisition and development expenditure		7,488		4,519	
Construction expenditure		18,663		13,907	
Sales expenditure		2,594		3,022	
			<u>28,745</u>		<u>21,448</u>
			3,662		5,452
Staff costs	3	2,464		2,605	
Other charges		905		833	
			<u>3,369</u>		<u>3,438</u>
Operating profit - continuing operations	2		293		2,014
Share of profit of associated undertaking			211		-
			<u></u>		<u></u>
Profit on ordinary activities before interest			504		2,014
Interest receivable and similar income	6		84		165
Interest payable and similar charges	7		(1,477)		(1,066)
			<u></u>		<u></u>
(Loss)/profit on ordinary activities before taxation			(889)		1,113
Taxation	8		(8)		150
			<u></u>		<u></u>
(Loss)/profit on ordinary activities after taxation			(897)		1,263
Minority interests			2		1
			<u></u>		<u></u>
(Loss)/profit for the financial year	9		(895)		1,264
Dividends	10		(235)		(420)
			<u></u>		<u></u>
(Decrease)/increase in reserves	19		(1,130)		844
			<u></u>		<u></u>

The group has no recognised gains and losses other than those included in the (losses)/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 profits reported above and the profit as determined on an unmodified historical cost basis.

Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Opening equity shareholders' funds	15,030	14,186
(Decrease)/increase in reserves	(1,130)	844
Closing equity shareholders' funds	<u>13,900</u>	<u>15,030</u>

**Consolidated balance sheet
at 31st July 1996**

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	11	228	280
Investments	12	1,441	1,387
		<u>1,669</u>	<u>1,667</u>
Current assets			
Stocks	13	43,588	31,928
Debtors	14	1,769	1,255
Cash at bank and in hand		2,342	2,181
		<u>47,699</u>	<u>35,364</u>
Creditors: amounts falling due within one year	15	(22,933)	(13,134)
Net current assets		<u>24,766</u>	<u>22,230</u>
Total assets less current liabilities		26,435	23,897
Creditors: amounts falling due after more than one year	16	(12,557)	(8,887)
		<u>13,878</u>	<u>15,010</u>
Minority interests		22	20
Net assets		<u>13,900</u>	<u>15,030</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	8,650	9,780
Equity shareholders' funds		<u>13,900</u>	<u>15,030</u>

**Balance sheet
at 31st July 1996**

	Notes	1996 £'000	1995 £'000
Fixed assets			
Investments	12	<u>15,347</u>	<u>16,464</u>
Current assets			
Debtors	14	1,655	-
Cash at bank and in hand		<u>1</u>	<u>3</u>
		1,656	3
Creditors: amounts falling due within one year	15	<u>(1,603)</u>	<u>(1,437)</u>
Net current assets/(liabilities)		53	(1,434)
Total assets less current liabilities		15,400	15,030
Creditors: amounts falling due after one year	16	<u>(1,500)</u>	<u>-</u>
Net assets		<u>13,900</u>	<u>15,030</u>
Capital and reserves			
Called up share capital	18	5,025	5,025
Revaluation reserve	19	(234)	883
Profit and loss account	19	<u>9,109</u>	<u>9,122</u>
Equity shareholders' funds		<u>13,900</u>	<u>15,030</u>

The financial statements on pages 5 to 22 were approved by the board of directors on 5 December 1996 and were signed on its behalf by:


J A Barham
Chairman


P G Ayton
Financial Director

Consolidated cash flow statement for the year ended 31st July 1996

	Notes	1996 £'000	1995 £'000
Net cash outflow from continuing operating activities	23	(6,754)	(601)
Returns on investments and servicing of finance			
Interest paid		(1,469)	(1,063)
Interest paid on finance leases		(8)	(3)
Dividends paid		(235)	(420)
Interest received		84	165
Net cash outflow from returns on investments and servicing of finance		(1,628)	(1,321)
Taxation			
UK corporation tax paid		(88)	(209)
Investing activities			
Purchase of tangible fixed assets		(30)	(15)
Sale of tangible fixed assets		26	2,533
Repayment/(advance) of loan to associated undertaking		117	(591)
Net cash inflow from investing activities		113	1,927
Net cash outflow before financing		(8,357)	(204)
Financing			
Loan drawdowns		8,590	200
Capital repayment of finance leases		(72)	(47)
Net cash inflow from financing	25	8,518	153
Increase/(decrease)in cash and cash equivalents	24	161	(51)

**Notes to the financial statements
for the year ended 31st July 1996****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.

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 31st July 1996. Intra-group sales and profits are eliminated fully on consolidation.

Associated undertakings

The group's share of the profits of associated undertakings 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 31st July 1996. Audited financial statements of Hither Green Developments Limited were drawn up to 31st December 1995, being a requirement of the other shareholder of the company.

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.

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 loss for the financial year would have been increased 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.

2 Operating profit

	1996 £'000	1995 £'000
Operating profit is stated after crediting:		
Profit on disposal of fixed assets	-	4
And after charging:		
Loss on disposal of fixed assets	16	-
Depreciation:		
- owned assets	61	102
- leased assets	51	22
Operating lease charges	648	424
Auditors' remuneration:		
- audit	50	50
- other services	19	11
	<u> </u>	<u> </u>

3 Employees

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

	1996	1995
Production staff	52	62
Sales and administration staff	78	84
	<u> </u>	<u> </u>
	130	146
	<u> </u>	<u> </u>
	1996	1995
	£'000	£'000
Wages and salaries	2,960	3,414
Social security costs	306	348
Other pension costs	101	132
	<u> </u>	<u> </u>
	3,367	3,894
Less: amounts charged to work in progress	903	1,289
	<u> </u>	<u> </u>
Amount charged directly to the profit and loss account	2,464	2,605
	<u> </u>	<u> </u>

4 Directors' emoluments

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

	1996 £'000	1995 £'000
Fees	-	14
Other emoluments (including pension contributions and benefits in kind)	465	666
Compensation for loss of office	155	-
	<u>620</u>	<u>680</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £'000	1995 £'000
The chairman and highest paid director	185	197

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£0 to £5,000	2	1
£10,001 to £15,000	-	1
£105,001 to £110,000	2	-
£120,001 to £125,000	-	1
£125,001 to £130,000	-	1
£150,001 to £155,000	-	1
£170,000 to £175,000	1	-
£185,001 to £190,000	1	-
£195,001 to £200,000	-	1

The group paid £25,000 (1995: £25,000) in fees for professional services during the year to Addison Beyer Green & Co., Chartered Accountants, a firm in which Mr L W Green, a director of the company, is a partner.

5 Other operating income

	1996 £'000	1995 £'000
Rental income	299	265
Commission	241	231
Profit on disposal of fixed assets	-	4
Other income	-	7
	<u>540</u>	<u>507</u>

6 Interest receivable and similar income

	1996 £'000	1995 £'000
Other interest receivable	84	165
	<u> </u>	<u> </u>

7 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank loans repayable within 5 years	1,365	1,013
On other loans repayable within 5 years	103	-
On finance leases	9	5
Other interest	-	48
	<u>1,477</u>	<u>1,066</u>

8 Taxation

	1996 £'000	1995 £'000
United Kingdom corporation tax at 25% (1995: 33%)		
Charge for the year	-	53
Overprovision in respect of prior year	(32)	(231)
Share of associated undertaking	40	28
	<u>8</u>	<u>(150)</u>

9 (Loss)/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 (loss)/profit for the financial year is made up as follows:

	1996 £'000	1995 £'000
Holding company's profit for the financial year	222	381
Retained by subsidiary undertakings	(1,288)	911
Retained by associated undertaking	171	(28)
	<u>(895)</u>	<u>1,264</u>

10 Dividends

	1996 £'000	1995 £'000
Ordinary shares:		
Interim dividends paid of 4.68p per share (1995: 8.35p per share)	235	420
	<u> </u>	<u> </u>

11 Tangible fixed assets

Group

	Freehold land and buildings £'000	Plant and site machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost or valuation				
At 1st August 1995	4	161	1,436	1,601
Additions at cost	-	-	102	102
Disposals	(4)	-	(63)	(67)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st July 1996	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	161	1,475	1,636
Depreciation				
At 1st August 1995	-	154	1,167	1,321
Charge for year	-	3	109	112
Eliminated in respect of disposals	-	-	(25)	(25)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st July 1996	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	157	1,251	1,408
Net book value				
At 31st July 1996	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	4	224	228
Net book value				
At 31st July 1995	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	4	7	269	280

The net book value of tangible fixed assets includes an amount of £147,625 (1995: £173,581) in respect of assets held under finance leases.

12 Fixed asset investments

Group

	Investment properties £'000	Investment in associated undertaking £'000	Loans to associated undertaking £'000	Total £'000
Cost or valuation				
At 1st August 1995	350	91	946	1,387
Share of profits	-	171	-	171
Reductions in the year	-	-	(117)	(117)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st July 1996	350	262	829	1,441
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Company

	Shares in group companies £'000
Cost or valuation	
At 1st August 1995	16,464
Revaluations	(1,117)
	<u> </u>
At 31st July 1996	15,347
	<u> </u>

The cost of shares in group companies amounts to £15,581,274 (1995: £15,581,181).

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
Rialto Builders Limited	- Dormant

Rialto Homes plc also has an 85% interest in the issued share capital of Rialto Mortgage Services Limited - a mortgage broking company.

All companies are incorporated in England.

Associated undertakings

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.

13 Stocks

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Land and development work-in-progress	43,588	31,928	-	-

In order to comply with FRS 5 "Reporting the substance of transactions" £11,291,497 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.

The comparative figures for 1995 have been increased by £6,448,463.

14 Debtors

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Secured loan to subsidiary undertaking	-	-	1,500	-
Trade debtors	953	489	-	-
Other debtors	431	487	155	-
Prepayments and accrued income	385	279	-	-
	<u>1,769</u>	<u>1,255</u>	<u>1,655</u>	<u>-</u>

15 Creditors: amounts falling due within one year

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank loans	1,640	-	-	-
Secured loans	3,250	-	-	-
Obligations under finance leases	88	58	-	-
Payments received on account	13,420	8,990	-	-
Trade creditors and accruals	4,169	3,766	-	-
Corporation tax	-	13	-	-
Other taxation and social security payable	93	141	-	33
Other creditors	229	122	55	97
Amounts owed to subsidiary undertakings	-	-	1,548	1,307
Amounts owed to minority interests	44	44	-	-
	<u>22,933</u>	<u>13,134</u>	<u>1,603</u>	<u>1,437</u>

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

The bank loans are secured by fixed and floating charges over the assets of the Rialto (Enfield) Limited and by an unlimited guarantee by Bayfordbury Holdings plc.

16 Creditors: amounts falling due after one year

	Group		Company	
	£'000	£'000	1996 £'000	1995 £'000
Bank loans and obligations under finance leases				
Amounts falling due wholly within 5 years:				
Secured bank loans repayable on 31 July 1998				
Security is by way of a fixed and floating charge over the assets of the Rialto Homes plc group	11,000	8,800	-	-
Secured loan repayable by 31 December 1998	1,500	-	1,500	-
Obligations under finance leases	57	87	-	-
	<u>12,557</u>	<u>8,887</u>	<u>1,500</u>	<u>-</u>

The secured loan is by way of a legal charge over the shares of Rialto Homes plc.

17 Deferred taxation

Deferred taxation has not been provided in the financial statements as timing differences do not give rise to a potential liability.

18 Called up share capital

	1996 £'000	1995 £'000
Authorised		
5,025,000 (1995: 5,025,000) ordinary shares of £1 each	5,025	5,025
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
5,025,000 (1995: 5,025,000) ordinary shares of £1 each	5,025	5,025
	<u> </u>	<u> </u>

19 Reserves

	Reserve arising on consolidation £'000	Profit and loss account £'000
Group		
At 1st August 1995	225	9,780
Retained loss for the year	-	(1,130)
	<u> </u>	<u> </u>
At 31st July 1996	225	8,650
	<u> </u>	<u> </u>

Group's share of post acquisition reserves of associated undertaking included above

At 1st August 1995	91
Retained profit for the year	171
	<u> </u>
At 31st July 1996	262
	<u> </u>

	Revaluation reserve £'000	Profit and loss account £'000
Company		
At 1st August 1995	883	9,122
Deficit on revaluation of investment in subsidiaries	(1,117)	-
Retained loss for the year	-	(13)
	<u> </u>	<u> </u>
At 31st July 1996	(234)	9,109
	<u> </u>	<u> </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 Financial commitments

At 31st July 1996 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Group	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Expiring within one year	-	-	51	15
Expiring between two and five years inclusive	-	-	183	161
Expiring in more than five years	260	449	-	-
	<u>260</u>	<u>449</u>	<u>234</u>	<u>176</u>
	<u><u>260</u></u>	<u><u>449</u></u>	<u><u>234</u></u>	<u><u>176</u></u>

At 31st July 1996, 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	
	1996 £'000	1995 £'000
Due within the year ending 31st July 1997	1,681	500
	<u><u>1,681</u></u>	<u><u>500</u></u>

21 Capital commitments

No capital expenditure has been authorised by the directors which has not yet been contracted for (1995: nil).

22 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.

23 Reconciliation of operating profit to net cash outflow from operating activities

	1996 £000	1995 £000
Operating profit - continuing operations	293	2,014
Depreciation of tangible fixed assets	112	124
(Loss)/profit on sale of tangible fixed assets	16	(4)
(Increase)/decrease in stocks	(11,660)	3,059
(Increase)/decrease in debtors	(407)	559
Increase/(decrease) in creditors	4,892	(6,353)
Net cash outflow from continuing operating activities	<u>(6,754)</u>	<u>(601)</u>

24 Cash and cash equivalents

	1996 £'000	1995 £'000
Changes during the year		
At 1st August 1995	2,181	2,232
Net cash inflow/(outflow)	<u>161</u>	<u>(51)</u>
At 31st July 1996	<u>2,342</u>	<u>2,181</u>

	1996 £'000	1995 £'000	Change in year £'000	1995 £'000	1994 £'000	Change in year £'000
Analysis of balances						
Cash at bank and in hand	<u>2,342</u>	<u>2,181</u>	<u>161</u>	<u>2,181</u>	<u>2,232</u>	<u>(51)</u>

25 Analysis of changes in financing during the year

	Share capital including premium £'000	Loans and finance lease obligations £'000
At 1st August 1995	5,025	8,945
Inception of finance leases	-	72
Cash inflow from financing	-	8,518
	<hr/>	<hr/>
At 31st July 1996	<u>5,025</u>	<u>17,535</u>

26 Transactions with directors

On 11th August 1995 a subsidiary undertaking, Rialto Homes plc, entered into an arm's length agreement in the ordinary course of trading with Bayfordbury Estates Limited, a company owned and controlled by J A Barham, to manage the development of a site in Hertford owned by that company. Under the terms of the agreement Rialto Homes plc constructs and sells dwellings on the site as managing contractor, accounting to Bayfordbury Estates Limited for all receipts and payments. At 31st July 1996 Rialto Homes plc owed Bayfordbury Estates Limited £40,208 (31st July 1995: £198,091).

The agreement provides for Rialto Homes plc to receive a fee for the work undertaken and half of the profits arising out of the development.

During the year another subsidiary undertaking, Bayfordbury Investments Limited, received an interest free loan of £55,000 from Bayfordbury Estates Limited, a company owned and controlled by J A Barham. £35,000 was repaid during the year.

A secured loan, by third legal charge over work in progress of Rialto Estates Limited, has been made by Bayfordbury Estates Limited, a company owned and controlled by J A Barham. The loan is interest bearing and amounted to £340,000 at 31 July 1996.

During the year Bayfordbury Holdings plc borrowed £1,500,000 from Rialto Group Executive Pension Scheme. J A Barham is a beneficiary and trustee of this scheme. This loan is interest bearing and secured by way of a legal charge over the shares of Rialto Homes plc. No repayments were made during the year.