

## Property &amp; Capital Group plc

## DIRECTORS AND ADVISERS

**DIRECTORS**

R F M Adair, M.A., A.C.A., A.T.I.L. (Chairman)  
D R Macdonald, B.L., N.P. (Chief Executive)  
K J Price B.Sc., F.R.I.C.S.  
J H Glicher F.C.A., M.S.I.  
S D H Cufley B.A., F.C.A.  
M A Kelly, LLB (Hons), N.P.

**SECRETARY**

M A Kelly, LLB (Hons), N.P.

**REGISTERED OFFICE**

144 West George Street  
Glasgow G2 2HG

**REGISTERED AUDITOR**

Ernst & Young  
George House  
50 George Square  
Glasgow G2 1RR

**REGISTRARS**

Park Circus Registrars Limited  
144 West George Street  
Glasgow G2 2HG

**NOMINATED ADVISER**

Bell Lawrie Wise Speke  
P.O. Box 512  
36 St Ann Street  
Manchester M60 2EP

**NOMINATED BROKER**

Durlacher Limited  
4 Chiswell Street  
London EC1Y 4UP

ERNST &amp; YOUNG



CHAIRMAN'S STATEMENT

**YEAR OF NEW FOCUS**

During the year to 30<sup>th</sup> April 1999 the Group:

- (a) entered what it perceived to be a rising value residential property market, the Group's first two offers for residential property companies being made before, and completed after, the year end;
- (b) withdrew from activities which created other financial pressures, selling Neill Clerk Capital Limited and closing down Lawson-Price Limited; and
- (c) in doing so reduced staffing from a peak of 58 to what is now a hard working core of 15, with a commensurate reduction in overheads.

**PRO FORMA NET ASSETS STATEMENT**

Looking forward the Group has made a number of acquisitions both during the year and subsequent to the year-end. Since the year-end we have completed the acquisition of three companies in pursuit of our plans to establish a residential investment property portfolio.

In view of these changes, an unaudited pro forma net assets statement to illustrate the effect of the post year end acquisitions is presented as an appendix to these accounts at page 33. On the basis of the pro forma net assets statement since the year end the Group has added:

- (a) residential properties of £17,724,793, primarily financed by borrowing;
- (b) to the bottom line of the balance sheet, £865,601 of new capital; and
- (c) excess of fair value over acquisition cost of £1,490,996, which under the accounting standard FRS 10 is treated as "negative goodwill" deducted from the assets acquired until credited to profit and loss account on realisation, but which under prior accounting standards would have increased the balance sheet to a positive £1,138,068.

These figures do not take account of any revaluation since acquisition, although sales to date are being achieved at a surplus above acquisition cost.

**RESULTS FOR THE YEAR ENDED 30<sup>TH</sup> APRIL 1999**

Due to the changes noted above, the results and the balance sheet at 30<sup>th</sup> April 1999 may already be regarded as historic – a period of removal of intangible assets before substitution by tangible assets. The Group incurred an operating loss of £1,567,791. In addition there were several non operating exceptional items, namely a loss of £374,119 on the disposal on Neill Clerk Capital Limited, a loss of £2,099,915 on the liquidation of Lawson-Price Limited, including the write-off of goodwill of £2,466,031 and the write down of investments of £50,095. Taking account of net interest receivable of £88,897, the Group recorded a loss before tax of £4,003,023. There was a tax charge of £52,532 principally being the write off of ACT not recoverable in the immediate future.

These results have led to the Group carrying forward tax losses, including particularly substantial capital losses, which are hopefully pertinent to the acquisition of property portfolios for future capital uplift.

As the company currently has negative distributable reserves, it is presently unable to pay the dividends on the preference shares and that dividend has been transferred to a dividend reserve. No ordinary dividends are recommended for the year.

CHAIRMAN'S STATEMENT

**BOARD CHANGES**

There have also been several changes to the Board during the year. I took over as Chairman on 1<sup>st</sup> January 1999 and I would like to record my thanks to my predecessor as Chairman, Sir Robin Duthie, for his significant assistance to the Group from its formation in 1994 until his retirement at the age of 70. Ian Banner resigned as a director on 19<sup>th</sup> March 1999, having also been a director since 1994, and I would like to thank him for his wise counsel during that period. I am pleased to welcome Sean Cufley to the Board from 19<sup>th</sup> March 1999 as the Group Finance Director, and to welcome Miranda Kelly to the Board with effect from today.

**THE FUTURE**

We expect to continue expanding the residential investment property portfolio. We have commenced sales of some of the property, particularly property with lower yields and prospects, and expect to continue this process. This should have the effect of enhancing yield on the resultant net portfolio cost and should also yield surpluses which, together with revaluation reserves, should enhance our equity.

With so many changes effected, I hope to look forward as Chairman to the Group's growth in the property sector by adding value to a substantial property portfolio while also providing ancillary services. The company is currently in negotiations in respect of several potential major residential property acquisitions.

*Robert F M Adair*

Robert F M Adair  
Chairman

20<sup>th</sup> October 1999

DIRECTORS' REPORT

The Directors submit their report and the group accounts for the year to 30<sup>th</sup> April 1999.

**RESULTS AND DIVIDENDS**

The group loss for the year, after taxation, amounted to £4,055,555. The directors recommend that no ordinary dividend is paid. After preference dividends of £9,600, the deficit amounted to £4,065,155.

Due to a deficiency of distributable reserves, the company is presently unable to pay the preference dividend which has been transferred to a preference dividend reserve.

**PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

The group's principal activities are the provision of property related services, financial management and administrative services.

The Chairman's Statement on pages 2 and 3 includes a review of the development of the business of the company and its subsidiaries during the year together with details of significant post balance sheet events.

**ALTERNATIVE INVESTMENT MARKET**

The directors have adopted the Model Code for the Alternative Investment Market.

**ACQUISITIONS AND DISPOSALS**

On 23<sup>rd</sup> May 1997 the group sold the entire share capital of Park Circus Registrars Ltd to Logiecrest Limited, a company owned by D R Macdonald. On 26<sup>th</sup> October 1998 the group exercised its option to repurchase the share capital at the same price.

On 1<sup>st</sup> September 1998 the group sold the entire share capital of Neill Clerk Capital Limited to Noble Group Limited.

On 17<sup>th</sup> September 1998 the group acquired Mercantile Securities (Scotland) Limited, a company offering corporate finance and management advisory services.

On 29<sup>th</sup> April 1999 Lawson-Price Limited was placed in liquidation.

**DIRECTORS AND THEIR INTERESTS**

The directors at 30<sup>th</sup> April 1999 and their interests in the ordinary share capital of the company were as follows:

	<i>At 30<sup>th</sup> April 1999</i>	<i>At 30<sup>th</sup> April 1998 or subsequent date of appointment</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
R F M Adair	488,340	488,340
D R Macdonald	336,375	355,575
K J Price	609,230	609,230
J H Glicher	11,538	11,538
S D H Cufley (appointed 19 <sup>th</sup> March 1999)	-	-

Sir Robin Duthie was a director of the company until his retirement on 31<sup>st</sup> December 1998. Mr P N Homer was a director of the company until his resignation on 1<sup>st</sup> September 1998. Mr D I Banner was a director of the company until his resignation on 19<sup>th</sup> March 1999.

Ms M A Kelly was appointed a director on a temporary basis on 7<sup>th</sup> June 1999 and resigned on 8<sup>th</sup> June 1999. She was appointed a director of the company on 20<sup>th</sup> October 1999.

DIRECTORS' REPORT

**DIRECTORS AND THEIR INTERESTS (continued)**

Details of directors' material interests in contracts are given in notes 15, 22, 24 and 27 to the accounts.

**CREDITORS' PAYMENT POLICY AND PRACTICE**

It is the company's payment policy to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, settlement terms are agreed prior to any business taking place. It is our policy to then abide by those terms.

At the year end the company had an average of 54 days purchases outstanding in trade creditors.

**YEAR 2000 COMPLIANCE**

The Year 2000 issue impacts not only our own computer systems but also those of our suppliers and customers. A group wide programme designed to address the impact of the Year 2000 issue on the business was initiated during 1998. Resources have been allocated and the Board receives regular reports on progress.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, as some level of failure may still occur. However the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise. The Board believes that all issues will have been adequately addressed by autumn 1999. There is a remaining risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the company. It is estimated that the capital and revenue costs being incurred in this project will not materially affect the financial performance and position of the company.

**AUDITORS**

Ernst & Young have indicated their willingness to continue in office and a resolution to re-appoint them will be put to the members at the Annual General Meeting.

On behalf of the Board



D R Macdonald  
Director

20<sup>th</sup> October 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

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 of the group and of the profit or loss of the group for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS**  
to the members of Property & Capital Group plc

We have audited the accounts on pages 8 to 32, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 12 and 13.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Report and Accounts including, as described on page 6, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Report and Accounts and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 group'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 information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 30<sup>th</sup> April 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
Glasgow

20<sup>th</sup> October 1999

# Property & Capital Group plc

## GROUP PROFIT AND LOSS ACCOUNT for the year ended 30<sup>th</sup> April 1999

	Notes	1999 £	1998 £
<b>TURNOVER</b>			
Continuing operations:			
Ongoing operations		1,598,178	1,656,703
Acquisitions		215,534	-
Discontinued operations		899,210	2,021,556
	2	2,712,922	3,678,259
<b>OPERATING LOSS</b>			
Continuing operations:			
Ongoing operations		(553,897)	(267,825)
Acquisitions before goodwill amortisation		18,070	-
Goodwill amortisation		(11,801)	-
Discontinued operations:			
Discontinued operations before goodwill amortisation		(667,872)	(560,597)
Goodwill amortisation		(352,291)	-
<b>OPERATING LOSS</b>	3	(1,567,791)	(828,422)
Continuing operations:			
Write down of investments		(50,095)	(359,093)
Discontinued operations:			
Loss on disposal of subsidiary	25	(374,119)	(25,405)
Loss on liquidation of subsidiary	25	(2,099,915)	-
Interest receivable		251,417	40,667
Interest payable	4	(162,520)	(85,810)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2,5	(4,003,023)	(1,258,063)
Taxation	8	(52,532)	102,552
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>		(4,055,555)	(1,155,511)
Dividends on non-equity shares	9	(9,600)	(9,600)
<b>DEFICIT FOR THE YEAR</b>	18	(4,065,155)	(1,165,111)
Loss per share	10	(115.02)p	(42.52)p

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Loss attributable to members of the parent company		(4,055,555)	(1,155,511)
Prior year adjustment	26	-	(271,662)
<b>Total gains and losses recognised since last annual report</b>		<b>(4,055,555)</b>	<b>(1,427,173)</b>



# Property & Capital Group plc

## GROUP BALANCE SHEET at 30<sup>th</sup> April 1999

	Notes	1999 £	1998 £
<b>FIXED ASSETS</b>			
Intangible assets	11	221,458	2,721,247
Tangible assets	12	110,939	226,673
Investments	13		
Joint venture - share of gross assets		126,362	-
- share of gross liabilities		75,608	-
		50,754	-
Other		90,869	136,771
		141,623	136,771
		474,020	3,084,691
<b>CURRENT ASSETS</b>			
Debtors	14	564,427	1,726,844
Cash at bank and in hand		25,488	1,396,612
Segregated clients' funds		-	302,583
		589,915	3,426,039
<b>CREDITORS: amounts falling due within one year</b>	15	1,572,610	1,623,754
Segregated clients' funds		-	302,583
		1,572,610	1,926,337
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(982,695)	1,499,702
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(508,675)	4,584,393
<b>CREDITORS: amounts falling due after more than one year</b>	15	709,854	1,777,108
		(1,218,529)	2,807,285
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	220,688	220,688
Deferred consideration	24	192,551	325,000
Share premium account	18	653,251	653,251
Merger reserve	18	-	1,990,623
Preference dividend reserve	18	16,800	-
Profit and loss account	18	(2,301,819)	(382,277)
Shareholders' funds :			
Equity		(1,385,329)	2,657,285
Non-equity		166,800	150,000
		(1,218,529)	2,807,285

Approved by the Board

D R Macdonald  
Director

20<sup>th</sup> October 1999

# Property & Capital Group plc

## COMPANY BALANCE SHEET at 30<sup>th</sup> April 1999

ERNST & YOUNG

	Notes	1999 £	1998 £
<b>FIXED ASSETS</b>			
Tangible assets	12	42,865	122,298
Investments	13	768,301	3,145,132
		<u>811,166</u>	<u>3,267,430</u>
<b>CURRENT ASSETS</b>			
Debtors	14	478,263	640,377
Cash at bank		-	1,105,789
		<u>478,263</u>	<u>1,746,166</u>
<b>CREDITORS</b>			
Amounts falling due within one year	15	395,158	179,024
<b>NET CURRENT ASSETS</b>		<u>83,105</u>	<u>1,567,142</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>894,271</u>	<u>4,834,572</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	709,854	1,777,108
		<u>184,417</u>	<u>3,057,464</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	220,688	220,688
Deferred consideration	24	192,551	325,000
Share premium account	18	653,251	653,251
Preference dividend reserve	18	16,800	-
Merger reserve	18	-	1,984,613
Profit and loss account	18	(898,873)	(126,088)
<b>Shareholders' funds :</b>			
Equity		<u>17,617</u>	<u>2,907,464</u>
Non-equity		<u>166,800</u>	<u>150,000</u>
		<u>184,417</u>	<u>3,057,464</u>

Approved by the Board

D R Macdonald  
Director

20<sup>th</sup> October 1999

# Property & Capital Group plc

## GROUP STATEMENT OF CASH FLOWS for the year ended 30<sup>th</sup> April 1999

	Notes	1999 £	1998 £
CASH OUTFLOW FROM OPERATING ACTIVITIES	21(a)	(780,295)	(495,262)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	21(b)	98,321	(56,258)
TAXATION		(534)	(149,969)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	21(b)	(5,837)	(339,934)
ACQUISITIONS AND DISPOSALS	21(b)	(567,964)	181,315
CASH OUTFLOW BEFORE LIQUID RESOURCES AND FINANCING		(1,256,309)	(860,108)
MANAGEMENT OF LIQUID RESOURCES		1,325,000	(1,325,000)
FINANCING	21(b)	(744,742)	2,155,905
DECREASE IN CASH		(676,051)	(29,203)

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £	1998 £
Decrease in cash	(676,051)	(29,203)
Cash flow from debt repaid/(new loans)	744,742	(1,623,170)
Cash flow from management of liquid resources	(1,325,000)	1,325,000
Change in net debt arising from cash flows	(1,256,309)	(327,373)
Loans disposed of with subsidiaries	150,000	-
MOVEMENTS IN NET DEBT DURING THE YEAR	(1,106,309)	(327,373)
Opening net debt	(417,997)	(90,624)
CLOSING NET DEBT	(1,524,306)	(417,997)

The analysis of net debt is included in note 21(c)

NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

1 ACCOUNTING POLICIES

*Fundamental accounting concept*

Since the end of the year the group has acquired three subsidiaries investing in residential properties; Unchained Growth III PLC, Unchained Growth IV PLC and Raven Fulham Limited. These acquisitions were funded by a mixture of issues of shares, issue of loan stock and term borrowings. Following the acquisitions the group is undertaking a rationalisation of its property portfolio which is expected to generate profit and positive cash flows as part of the group's evolving property investment activities. The directors consider that the level of cash generated from the forecast programme of property sales will be sufficient to meet the working capital requirements of the group for the foreseeable future and that accordingly it is appropriate to prepare the accounts on a going concern basis.

*Accounting convention*

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

*Group accounts*

The Group accounts consolidate the accounts of the company and subsidiary undertakings made up to a date co-terminous with the financial year of the company. References to "subsidiaries" are to be taken as references to subsidiary undertakings unless otherwise stated. The results of subsidiaries acquired during the year are consolidated from the date of acquisition and the results of subsidiaries disposed of or placed in liquidation are consolidated up to the date of sale or liquidation.

*Goodwill*

Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Amortisation is calculated to write off the capitalised goodwill in equal instalments over its estimated useful life up to a maximum of 20 years. Goodwill is reviewed for impairment following the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

Goodwill purchased prior to the implementation of Financial Reporting Standard No. 10 and not treated as above was and remains eliminated as a matter of accounting policy against the profit and loss reserve and is charged to the profit and loss account on subsequent disposal of the business to which it is related.

*Investments*

Investments are carried at the lower of cost or directors' valuation. In determining the valuation the directors have regard to, inter alia, the trading record and future prospects of the company and any recent transactions.

*Turnover and cost of sales*

Turnover represents fees for services excluding VAT in the normal course of business. Corporate finance, surveying and town planning fees are recognised when invoiced and payable. Management and administrative fees are treated on the accruals basis. Project outlays which are reimbursable from clients are excluded from turnover.

*Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Office equipment	-	over 4 years
Furniture and fittings	-	over 4 years
Leasehold improvements	-	over 15 years

## NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

## 1 ACCOUNTING POLICIES (continued)

**Leasing**

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest elements of the rental obligations are charged to profit and loss account over the period of the lease and represent a constant portion of the balance of capital repayments outstanding. The capital elements of future obligations are included as liabilities in the balance sheet.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

## 2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of services which fall within the group's ordinary activities, stated net of value added tax.

All the group's activities are based in the United Kingdom and all sales are made to United Kingdom customers other than sales to Other Europe in the current year of £30,846 in respect of discontinued activities. In the previous year all sales were made to United Kingdom customers other than sales to Other Europe of £22,848 and to the United States and Bermuda of £9,637 all in respect of discontinued operations.

The discontinued operations comprise Neill Clerk Capital Limited, sold during the year and Lawson-Price Limited, placed into liquidation on 29 April 1999.

Acquisitions comprise Park Circus Registrars Limited and Mercantile Securities (Scotland) Limited.

Turnover and group losses on ordinary activities before tax are analysed as follows:

**Area of activity**

	<i>Corporate management and administration services</i>	<i>Corporate finance services</i>	<i>Surveying and town planning</i>	<i>Regulated investment business</i>	<i>Energy activities</i>	<i>Total</i>
1998/99	£	£	£	£	£	£
Group turnover:						
Continuing operations	1,801,038	-	-	-	-	1,801,038
Acquisitions	78,929	170,697	-	-	-	249,626
Inter segment sales	(236,017)	(935)	-	-	-	(236,952)
	1,643,950	169,762	-	-	-	1,813,712
Discontinued operations:						
Sales to third parties	-	-	525,300	373,910	-	899,210
	1,643,950	169,762	525,300	373,910	-	2,712,922
Profit/(loss):						
Continuing operations	(553,897)	-	-	-	-	(553,897)
Acquisitions	(16,143)	22,412	-	-	-	6,269
Discontinued operations	-	-	(884,771)	(11,303)	(124,089)	(1,020,163)
Operating profit/(loss)	(570,040)	22,412	(884,771)	(11,303)	(124,089)	(1,567,791)
Non-operating and exceptional items	(50,095)	(374,119)	(2,099,915)	-	-	(2,524,129)
Net interest receivable	80,493	13,226	(6,642)	-	1,820	88,897
Loss on ordinary activities before tax	(539,642)	(338,481)	(2,991,328)	(11,303)	(122,269)	(4,003,023)

# Property & Capital Group plc

## NOTES TO THE ACCOUNTS at 30<sup>th</sup> April 1999

### 2 TURNOVER AND SEGMENTAL ANALYSIS (continued)

	Corporate management and administration services £	Regulated investment business £	Energy activities £	Total £		
1997/98						
Group turnover:						
Continuing operations	1,730,299	-	-	1,730,299		
Inter segment sales	(73,596)	-	-	(73,596)		
	1,656,703	-	-	1,656,703		
Discontinued operations:						
Sales to third parties	-	2,021,556	-	2,021,556		
	1,656,703	2,021,556	-	3,678,259		
Profit/(loss):						
Continuing operations	(267,825)	-	-	(267,825)		
Discontinued operations	-	(549,482)	(11,115)	(560,597)		
Operating loss	(267,825)	(549,482)	(11,115)	(828,422)		
Non operating and exceptional items	(384,498)	-	-	(384,498)		
Net interest payable	(80,855)	35,712	-	(45,143)		
Loss on ordinary activities before tax	(733,178)	(513,770)	(11,115)	(1,258,063)		
	Corporate management and administration services £	Corporate finance services £	Surveying and town planning £	Regulated investment business £	Energy activities £	Total £
Net assets						
1998/99						
Continuing operations	(1,342,428)	60,196	-	-	-	(1,282,232)
Discontinued operations	-	-	-	-	9,919	9,919
	(1,342,428)	60,196	-	-	9,919	(1,272,313)
Unallocated net assets						53,784
						(1,218,529)
1997/98						
Continuing operations	2,447,319	-	-	-	-	2,447,319
Discontinued operations	-	-	(326,755)	385,131	109,553	167,929
	2,447,319	-	(326,755)	385,131	109,553	2,615,248
Unallocated net assets						192,037
						2,807,285

Unallocated net assets comprise corporation tax and dividends.

# Property & Capital Group plc

## NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

### 3 OPERATING LOSS

	<i>Ongoing operations</i>	<i>Acquisitions</i>	<i>Continuing operations total</i>	<i>Discontinued operations</i>	<i>Total</i>
	£	£	£	£	£
<i>1998/99</i>					
Turnover	1,598,178	215,534	1,813,712	899,210	2,712,922
Cost of sales	(263,695)	(106,544)	(370,239)	(133,844)	(504,083)
Gross profit	1,334,483	108,990	1,443,473	765,366	2,208,839
Administrative expenses	(1,888,380)	(102,721)	(1,991,101)	(1,785,529)	(3,776,630)
Operating profit/(loss)	(553,897)	6,269	(547,628)	(1,020,163)	(1,567,791)
<i>1997/98</i>					
Turnover	1,656,703	-	1,656,703	2,021,556	3,678,259
Cost of sales	(373,121)	-	(373,121)	(1,110,341)	(1,483,462)
Gross profit	1,283,582	-	1,283,582	911,215	2,194,797
Administrative expenses	1,551,407	-	1,551,407	1,471,812	3,023,219
Operating loss	(267,825)	-	(267,825)	(560,597)	(828,422)

### 4 INTEREST PAYABLE

	<i>1999</i>	<i>1998</i>
	£	£
Overdraft interest	30,622	10,622
Loan interest	116,881	67,179
Finance charges payable under finance leases	5,784	7,796
Interest on corporation tax	-	213
Other interest	9,233	-
	<u>162,520</u>	<u>85,810</u>

### 5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<i>1999</i>	<i>1998</i>
	£	£
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit services	20,000	21,250
- non-audit services	51,090	31,665
Depreciation of owned fixed assets	48,639	37,946
Depreciation of assets held under finance leases	9,178	11,134
Rent of properties	151,751	132,615
Amortisation of goodwill	364,092	-
	<u></u>	<u></u>

In addition to the above, auditors' remuneration and expenses for other services in 1998 relating to the acquisition of Lawson-Price Limited amounted to £11,824.

# Property & Capital Group plc

## NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

### 6 DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments (including consultancy fees)	514,144	336,659

The emoluments of the highest paid director were £141,930 (1998 - £179,210). Note 22 describes consultancy agreements in respect of three directors.

### 7 STAFF COSTS

	1999 £	1998 £
Wages and salaries	1,700,215	1,401,079
Social security costs	168,882	139,732
	<u>1,869,097</u>	<u>1,540,811</u>

The average weekly number of employees during the year was 46 (1998 - 31).

### 8 TAXATION

	1999 £	1998 £
The (charge)/credit based on the loss for the year comprises:		
Corporation tax	-	102,552
ACT written off	(51,910)	-
	<u>(51,910)</u>	<u>102,552</u>
Adjustment to prior years	(622)	-
	<u>(52,532)</u>	<u>102,552</u>

There is no tax credit for the current year due to the losses incurred and the resulting tax losses are being carried forward. The tax credit for the prior year is lower than the standard rate principally due to unutilised gross tax losses of £433,000 being carried forward together with the write down of investment of £359,093 not being deductible for tax purposes.

Unutilised gross tax losses totalling £740,000 (1998 - £433,000) are available for carry forward in certain group companies.

### 9 DIVIDENDS

	1999 £	1998 £
Non-equity dividends on preference shares	9,600	9,600

### 10 LOSS PER ORDINARY SHARE

The calculation of loss per ordinary share is based on a deficit of £4,065,155 (1998 - £1,165,111), being loss for the year of £4,055,555 (1998 - £1,155,511) and the preference dividend of £9,600 (1998 - £9,600), and on 3,534,395 (1998 - 2,740,352) ordinary shares, being the weighted average number of shares in issue during the year.

The outstanding share options do not result in a diluted loss per share.



# Property & Capital Group plc

## NOTES TO THE ACCOUNTS at 30<sup>th</sup> April 1999

### 11 INTANGIBLE FIXED ASSETS

#### Goodwill

£

#### Cost:

At 1 <sup>st</sup> May 1998	2,721,247
Acquisitions	330,334
Written off on liquidation of Lawson-Price Limited	(2,818,321)

At 30 <sup>th</sup> April 1999	233,260
--------------------------------	---------

#### Amortisation:

At 1 <sup>st</sup> May 1998	-
Charge for year	364,092
Written off on liquidation of Lawson-Price Limited	(352,290)

At 30 <sup>th</sup> April 1999	11,802
--------------------------------	--------

#### Net book value:

At 30 <sup>th</sup> April 1999	221,458
--------------------------------	---------

At 30 <sup>th</sup> April 1998	2,721,247
--------------------------------	-----------

Goodwill arising on the acquisitions during the year is being amortised over the directors' estimate of economic useful life which is 20 years in each case.

Goodwill as at 1<sup>st</sup> May 1998 was being amortised over the directors' then estimate of economic useful life of 8 years.

### 12 TANGIBLE FIXED ASSETS

#### Group

	Freehold land £	Leasehold improvements £	Office equipment £	Furniture and fittings £	Total £
Cost:					
At 1 <sup>st</sup> May 1998	20,000	144,813	119,688	66,745	351,246
Additions	-	40,632	8,072	2,932	51,636
Acquisition of subsidiary undertaking	-	-	27,066	638	27,704
Liquidation of subsidiary undertaking	-	(17,268)	(7,033)	(20,128)	(44,429)
Disposal of subsidiary undertaking	-	-	(5,087)	(3,007)	(8,094)
Disposals	-	(109,182)	(19,030)	(1,135)	(129,347)
At 30 <sup>th</sup> April 1999	20,000	58,995	123,676	46,045	248,716
Depreciation:					
At 1 <sup>st</sup> May 1998	-	18,608	79,625	26,340	124,573
Charge for year	-	13,243	28,685	15,889	57,817
Liquidation of subsidiary undertaking	-	(1,302)	(7,033)	(4,665)	(13,000)
Disposal of subsidiary undertaking	-	-	(2,648)	(2,367)	(5,015)
Disposals	-	(14,419)	(11,759)	(420)	(26,598)
At 30 <sup>th</sup> April 1999	-	16,130	86,870	34,777	137,777
Net book value:					
At 30 <sup>th</sup> April 1999	20,000	42,865	36,806	11,268	110,939
At 30 <sup>th</sup> April 1998	20,000	126,205	40,063	40,405	226,673

NOTES TO THE ACCOUNTS  
at 30<sup>th</sup> April 1999

12 TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Leasehold improvements £</i>
Cost:	
At 1 <sup>st</sup> May 1998	140,906
Additions	27,271
Disposals	(109,182)
At 30 <sup>th</sup> April 1998	58,995
Depreciation:	
At 1 <sup>st</sup> May 1998	18,608
Charge for period	11,941
Disposals	(14,419)
At 30 <sup>th</sup> April 1999	16,130
Net book value:	
At 30 <sup>th</sup> April 1999	42,865
At 30 <sup>th</sup> April 1998	122,298

At 30<sup>th</sup> April 1999 the net book value and depreciation charge of group tangible assets acquired under finance leases were as follows

	<i>Leasehold improvements £</i>
Net book value	18,357
Depreciation charge for period	9,178

# Property & Capital Group plc

## NOTES TO THE ACCOUNTS at 30<sup>th</sup> April 1999

### 13 INVESTMENTS

#### Group

	<i>Joint ventures £</i>	<i>Unlisted investments £</i>	<i>Total £</i>
Cost:			
At 1 <sup>st</sup> May 1998	-	495,864	495,864
Additions	50,754	6,893	57,647
Disposals	-	(2,700)	(2,700)
At 30 <sup>th</sup> April 1999	50,754	500,057	550,811
Provision for diminution in value:			
At 1 <sup>st</sup> May 1998	-	359,093	359,093
Provided during the year	-	50,095	50,095
At 30 <sup>th</sup> April 1999	-	409,188	409,188
Net book value:			
At 30 <sup>th</sup> April 1999	50,754	90,869	141,623
At 30 <sup>th</sup> April 1998	-	136,771	136,771

#### Company

	<i>Subsidiary undertakings £</i>	<i>Joint ventures £</i>	<i>Unlisted investments £</i>	<i>Total £</i>
Cost:				
At 1 <sup>st</sup> May 1998	3,008,485	-	495,740	3,504,225
Additions	336,526	50,754	6,893	394,173
Disposals	(312,565)	-	(2,700)	(315,265)
At 30 <sup>th</sup> April 1999	3,032,446	50,754	499,933	3,583,133
Provision for diminution in value:				
At 1 <sup>st</sup> May 1998	-	-	359,093	359,093
Provided during the year	2,405,644	-	50,095	2,455,739
At 30 <sup>th</sup> April 1999	2,405,644	-	409,188	2,814,832
Net book value:				
At 30 <sup>th</sup> April 1999	626,802	50,754	90,745	768,301
At 30 <sup>th</sup> April 1998	3,008,485	-	136,647	3,145,132

NOTES TO THE ACCOUNTS  
at 30<sup>th</sup> April 1999

13 INVESTMENTS (continued)

Details of the investments in which the group or the company at 30<sup>th</sup> April 1999 held more than 20% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of registration (or incorporation)</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Subsidiaries:				
Park Circus (Management) Limited	Scotland	Ordinary shares	100%	Management and administration
Neill Clerk Energy Ltd	Scotland	Ordinary shares	100%	Non trading
Neill Clerk Energy (US) Ltd	Scotland	Ordinary shares	100%	Non trading
Rombat Limited (In liquidation) (formerly Lawson-Price Limited)	England/Wales	Ordinary shares	100%	Surveying and town planning
Park Circus (Secretaries) Ltd	Scotland	Ordinary shares	100%	Non trading
Park Circus Registrars Limited	Scotland	Ordinary shares	100%	Management and administration
Mercantile Securities (Scotland) Limited	Scotland	Ordinary shares	100%	Corporate finance services
Joint venture:				
Tallwell Limited	Scotland	Ordinary shares	50%	Investment properties

No results have been included in the profit and loss account in respect of Tallwell Limited on the basis that they were immaterial.

14 DEBTORS

	<i>1999</i>	<i>Group 1998</i>	<i>1999</i>	<i>Company 1998</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	288,097	890,121	-	-
Prepayments and accrued income	142,274	601,015	20,927	12,764
Amount due from subsidiaries	-	-	384,938	568,509
Other debtor	78,226	36,471	63,086	6,807
Current corporation tax	55,830	147,327	-	387
Advance corporation tax	-	51,910	-	51,910
Other taxation	-	-	9,312	-
	<u>564,427</u>	<u>1,726,844</u>	<u>478,263</u>	<u>640,377</u>

Amounts falling due after more than one year included above are:

	<i>1999</i>	<i>Group 1998</i>	<i>1999</i>	<i>Company 1998</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Advance corporation tax	-	51,910	-	51,910
	<u>-</u>	<u>51,910</u>	<u>-</u>	<u>51,910</u>

## NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

## 15 CREDITORS

	1999 £	Group 1998 £	1999 £	Company 1998 £
Amounts due within one year:				
Trade creditors	295,102	356,158	98,901	43,338
Accruals and deferred income	318,927	517,715	89,826	88,596
Current corporation tax	2,046	-	-	-
Other taxation and social security costs	94,737	705,180	-	27,848
Accrued preference dividends	-	7,200	-	7,200
Bank overdraft	655,386	25,459	19	-
Short term loans	170,500	-	170,500	-
Other creditors	21,858	-	21,858	-
Finance lease obligations	14,054	12,042	14,054	12,042
	<u>1,572,610</u>	<u>1,623,754</u>	<u>395,158</u>	<u>179,024</u>

The bank overdraft is secured by a bond and floating charge over the assets of the group.

On 20<sup>th</sup> August 1997 £213,200 subordinated loans were received from group and subsidiary company directors, of which £53,700 was from Mr Macdonald and £7,500 was from R G Duthie & Co Limited, a company in which Sir Robin Duthie has an interest. Interest is payable quarterly at 3% over the Royal Bank of Scotland base rate. During the year £42,700 was repaid. At 30<sup>th</sup> April 1999 the balance owed to Mr Macdonald and R G Duthie & Co Limited were £17,600 and £7,500 respectively.

Amounts due after more than one year:

	1999 £	Group 1998 £	1999 £	Company 1998 £
Subordinated loans:				
In more than one year but less than two	-	340,000	-	340,000
In more than two years but less than five	685,000	1,398,200	685,000	1,398,200
Finance lease obligations:				
In more than one year but less than two	16,066	14,054	16,066	14,054
In more than two years but less than five	8,788	24,854	8,788	24,854
	<u>709,854</u>	<u>1,777,108</u>	<u>709,854</u>	<u>1,777,108</u>

Subordinated loans have been made to the parent company by group and subsidiary company directors as follows:

On 23<sup>rd</sup> June 1997 £250,000 subordinated loan was received from trusts in which Mr Adair has an interest. Interest is payable at a rate not exceeding 2.5% per annum over the Royal Bank of Scotland base rate.

On 6<sup>th</sup> April 1998 £624,000 subordinated loan was received from trusts in which Mr Adair has an interest. On 8<sup>th</sup> September 1998 £189,000 of the loan was repaid resulting in £435,000 being outstanding at 30<sup>th</sup> April 1999. Interest is payable at a rate not exceeding 2.5% per annum over the Royal Bank of Scotland base rate.

On 28<sup>th</sup> April 1998 £311,000 subordinated loan was received from trusts in which Mr Adair has an interest. Interest was payable at a rate not exceeding 2.5% per annum over the Royal Bank of Scotland base rate. This loan was repaid on 8<sup>th</sup> September 1998.

NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

**16 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

The group does not enter into any derivative transactions. The group's principal financial instruments comprise loans, overdrafts, cash, finance lease obligations, preference shares and short term deposits. The main purpose of these financial instruments is to provide finance for the group's operations.

The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations and unlisted investments. However, the group has taken advantage of the exemption in FRS 13 excluding all short term debtors and creditors from the disclosures.

It is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The magnitude of this risk that has arisen over the period is detailed below.

***Interest rate risk***

The group holds cash balances on short term deposit. The group's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

The group borrows cash in the form of loans and overdrafts, which are subject to interest at floating rates, recognising that rates will fluctuate according to changes in the bank base rate. The group has also financed the purchase of assets by way of fixed interest finance leases which are not subject to fluctuations in base rates.

***Liquidity risk***

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances and loans. The group has an overdraft facility available as detailed below.

NOTES TO THE ACCOUNTS  
at 30<sup>th</sup> April 1999

## 16 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

*Interest rate risk profile of financial assets and liabilities*

The interest rate profile of financial assets and liabilities of the group at 30<sup>th</sup> April 1999 was as follows:

			<i>Total</i> £	<i>Floating rate financial assets</i> £	<i>Financial assets on which no interest is earned</i> £
Sterling			116,357	25,488	90,869
	<i>Fixed rate financial liabilities</i>				
		<i>Weighted average</i>			
	<i>Weighted average interest rate</i> %	<i>period for which rate is fixed</i> Years	<i>Total</i> £	<i>Fixed rate financial liabilities</i> £	<i>Floating rate financial liabilities</i> £
Sterling	5.4	2.5	1,549,794	39,908	1,510,886

The floating rate financial assets comprise cash on deposit.

The floating rate financial liabilities comprise:

- Sterling denominated bank loans and overdrafts that bear interest on the six month LIBOR.
- Directors' loans denominated in sterling that bear interest based on the Royal Bank of Scotland plc base rate.
- Subordinated loans denominated in sterling that bear interest based on the Royal Bank of Scotland plc base rate.

*Interest rate risk profile of non-equity shares*

The company has in issue £150,000 of convertible cumulative redeemable preference shares with a fixed coupon rate of 8%. The shares are denominated in sterling and are redeemable one year and eight months from the balance sheet date.

*Maturity of financial liabilities*

The maturity profile of the group's financial liabilities at 30<sup>th</sup> April 1999 are as follows:

	£
In one year or less, or on demand	839,940
In more than one year but less than two	16,066
In more than two years but less than five	693,788
	<u>1,549,794</u>

NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

16 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

*Borrowing facilities*

The group has a bank overdraft facility available to it. The committed facilities available at 30<sup>th</sup> April 1999 in respect of which all conditions precedent had been met at that date amounted to £600,000. This facility reduces to £450,000 from 31<sup>st</sup> August 1999, and to £300,000 from 30<sup>th</sup> November 1999, and expires on 28<sup>th</sup> February 2000.

*Fair values of financial assets and liabilities*

The fair values of the group's financial assets and liabilities are not materially different from their carrying amounts.

17 CALLED UP SHARE CAPITAL

	1999	1998
	£	£
Authorised:		
5,000,000 ordinary shares of 2 pence each	100,000	100,000
200,000 cumulative 8% redeemable preference shares of £1 each	200,000	200,000
	<u>300,000</u>	<u>300,000</u>
	£	£
Allotted, issued, and fully paid:		
3,534,395 ordinary shares of 2 pence each	70,688	70,688
150,000 cumulative 8% redeemable preference shares of £1 each	150,000	150,000
	<u>220,688</u>	<u>220,688</u>

The preference shares carry no votes at meetings unless the dividend thereon is six months or more in arrears. On a winding up of the company the preference shareholders have a right, in priority to any other class of share, to repayment of the capital paid up and any accrued preference dividend. The shares are redeemable at par on 31st December 2000 or earlier at the company's option. Dividends are now six months in arrears and consequently the preference shareholders now have voting rights equal to one vote per preference share of £1 each. At 30<sup>th</sup> April 1999 the arrears of dividend amounted to £16,800.

At 30<sup>th</sup> April 1999 the following options were outstanding:

- An option granted to Sir Robin Duthie the former chairman of the group, on 12<sup>th</sup> April 1995 over 12,500 ordinary shares at 2 pence. The option is exercisable at any time until 11<sup>th</sup> April 2000.
- Options granted in previous years to senior executives (but not directors) of the group:
- To subscribe for 65,000 ordinary shares at £2.30, exercisable over seven years until 16<sup>th</sup> June 2003.
- To subscribe for 26,000 ordinary shares at the AIM admission price of £2.00, exercisable over five years until 31<sup>st</sup> December 2001, dependent on continuing service.



# Property & Capital Group plc

## NOTES TO THE ACCOUNTS at 30<sup>th</sup> April 1999

### 18 RESERVES

<i>Group</i>	<i>Share premium £</i>	<i>Preference dividend reserve £</i>	<i>Merger reserve £</i>	<i>Profit and loss account £</i>
At 1 <sup>st</sup> May 1998	653,251	-	1,990,623	(382,277)
Loss for year	-	-	-	(4,055,555)
Dividends	-	9,600	-	(9,600)
Reclassified from creditors	-	7,200	-	-
Release of merger reserve on liquidation of Lawson-Price	-	-	(1,984,613)	1,984,613
Merger reserve realised on disposal of Neill Clerk Capital Limited	-	-	(6,010)	6,010
Goodwill reinstated on disposal of Neill Clerk Capital Limited	-	-	-	154,990
At 30 <sup>th</sup> April 1999	653,251	16,800	-	(2,301,819)
<i>Company</i>	<i>£</i>		<i>£</i>	<i>£</i>
At 1 <sup>st</sup> May 1998	653,251	-	1,984,613	(126,088)
Loss for year	-	-	-	(2,847,798)
Dividends	-	9,600	-	(9,600)
Reclassified from creditors	-	7,200	-	-
Release of merger reserve on liquidation of Lawson-Price	-	-	(1,984,613)	1,984,613
At 30 <sup>th</sup> April 1999	653,251	16,700	-	(898,873)

The cumulative amount of goodwill deducted directly from group reserves net of goodwill relating to business disposed of as at 30<sup>th</sup> April 1999 is £ 234,010 (1998 - £389,000).

### 19 RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>1999 £</i>	<i>1998 £</i>
Loss attributable to members of the parent company	(4,055,555)	(1,155,511)
Dividends	(9,600)	(9,600)
New shares issued	-	2,532,733
Deferred consideration	(132,449)	325,000
Goodwill written off on disposal	154,990	-
Dividend creditor reclassified	16,800	-
Total movements during the year	(4,025,814)	1,692,622
Shareholders' funds at 1 <sup>st</sup> May 1998	2,807,285	1,114,663
Shareholders' funds at 30 <sup>th</sup> April 1999	(1,218,529)	2,807,285

# Property & Capital Group plc

## NOTES TO THE ACCOUNTS at 30<sup>th</sup> April 1999

### 20 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

	1999 £	1998 £
Property & Capital Group plc	(2,847,798)	(386,046)
Subsidiaries	(1,207,757)	(769,465)
	<u>(4,055,555)</u>	<u>(1,155,511)</u>

In accordance with the concession granted under Section 230 of the Companies Act 1985 the profit and loss account of Property & Capital Group plc has not been separately presented in the accounts.

### 21 GROUP STATEMENT OF CASH FLOWS

#### (a) Reconciliation of group operating loss to net cash outflow from operating activities

	1999 £	1998 £
Operating loss	(1,567,791)	(828,422)
Depreciation	57,817	49,080
Amortisation of goodwill	364,092	-
Decrease in operating debtors	424,170	405,134
Decrease in operating creditors	(58,257)	(122,200)
(Loss)/profit on sale of investments and assets	(326)	1,146
Net cash outflow from operating activities	<u>(780,295)</u>	<u>(495,262)</u>

#### (b) Analysis of cash flows for headings netted in the cash flow statement:

	1999 £	1998 £
Returns on investment and servicing of finance:		
Interest received	261,449	34,050
Interest paid	(157,344)	(77,712)
Preference dividend paid	-	(4,800)
Interest element of finance lease rentals	(5,784)	(7,796)
	<u>98,321</u>	<u>(56,258)</u>
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(53,965)	(36,204)
Sale of tangible fixed assets	94,171	35,000
Purchase of investments	(57,647)	(378,737)
Sale of investments	11,604	40,007
	<u>(5,837)</u>	<u>(339,934)</u>

# Property & Capital Group plc

## NOTES TO THE ACCOUNTS at 30<sup>th</sup> April 1999

### 21 GROUP STATEMENT OF CASH FLOWS (continued)

	1999 £	1998 £
Acquisitions and disposals:		
Purchase of subsidiaries:		
Acquisition costs paid - current year	(325,375)	(11,824)
- prior years	(57,668)	-
Cash balance on acquisition	33,666	216
Bank overdraft on acquisition	(2,481)	(25,459)
	<u>(351,858)</u>	<u>(37,067)</u>
Liquidation of subsidiary:		
Cash balance on liquidation	<u>(6,458)</u>	<u>-</u>
Sale of subsidiary:		
Cash consideration	160,000	250,000
Costs of disposal	(100,857)	-
Cash balance on disposal	(268,791)	(31,618)
	<u>(209,648)</u>	<u>218,382</u>
	<u>(567,964)</u>	<u>181,315</u>
	£	£
Financing:		
Issue of shares	-	532,735
Short term loans	107,300	(105,000)
Lease obligations repaid	(12,042)	(10,030)
Subordinated loans	(840,000)	1,738,200
	<u>(744,742)</u>	<u>2,155,905</u>

#### (c) Analysis of net debt

	At 1 <sup>st</sup> May 1998 £	Cash flow £	Disposals £	Reclassification £	At 30 <sup>th</sup> April 1999 £
Cash at bank and in hand	71,612	(46,124)	-	-	25,488
Bank overdraft	(25,459)	(629,927)	-	-	(655,386)
	<u>46,153</u>				<u>(629,898)</u>
Cash on deposit at bank	1,325,000	(1,325,000)	-	-	-
Short term loans	-	(107,300)	150,000	(213,200)	(170,500)
Finance leases	(50,950)	12,042	-	-	(38,908)
Subordinated loans	(1,738,200)	840,000	-	213,200	(685,000)
	<u>(417,997)</u>	<u>(1,256,309)</u>	<u>150,000</u>	<u>-</u>	<u>(1,524,306)</u>

NOTES TO THE ACCOUNTS  
at 30<sup>th</sup> April 1999

22 DIRECTORS' TRANSACTIONS

Transactions amounting in aggregate to £38,542 (1998 - £48,701) were entered into on an arms length basis between the company and its subsidiaries and Neill Clerk & Murray (and companies belonging to that firm) of which Mr Banner is a partner. Details of these transactions are as follows:

	1999 £	1998 £
Rent, insurance and other property costs incurred	13,542	29,951
Consultancy fees for Mr Banner	25,000	18,750
	<u>38,542</u>	<u>48,701</u>

At 30<sup>th</sup> April 1999 £29,375 (1998 - £15,302) was owed to Neill Clerk & Murray.

Transactions amounting in aggregate to £215,417 (1998 - £421,995) were entered into on an arms length basis to which parties included the company and its subsidiaries and agents for Outergolden Limited, Terrace Hill Group PLC, Westview Group Limited and Melrose Petroleum Group Limited in which Mr Adair has a material interest. Details of these transactions are as follows:

	1999 £	1998 £
Services to the foregoing parties:		
Fees and outlays in respect of Enterprise Zone Trusts	-	8,202
Fees and outlays in respect of oil and gas partnerships	20,435	60,909
Property costs recharged via sublet	31,756	70,425
	<u>52,191</u>	<u>139,536</u>
Services provided by the foregoing parties:		
Rent, insurance and other property costs	114,347	206,824
Consultancy fees for Mr Adair	80,635	75,635
	<u>194,982</u>	<u>282,459</u>
Total transactions	<u>247,173</u>	<u>421,995</u>

At 30<sup>th</sup> April 1999 £5,000 (1998 - £23,885) was owed by the foregoing parties.

Transactions amounting in aggregate to £133,303 (1998 - £187,380) were entered into on an arms length basis between the company and Park Circus Registrars Ltd in which Mr Macdonald had a material interest. Details of these transactions are as follows:

	1999 £	1998 £
Rent, rates, insurance and other property costs	17,545	14,832
Personnel costs	56,227	75,476
Registrar fees and outlays	35,531	72,072
Administration charges	24,000	25,000
	<u>133,303</u>	<u>187,380</u>

At 30<sup>th</sup> April 1999 £Nil (1998 - £21,561) was owed by Park Circus Registrars Ltd.

NOTES TO THE ACCOUNTS  
at 30<sup>th</sup> April 1999

22 DIRECTORS' TRANSACTIONS (continued)

Transactions amounting in aggregate to £Nil (1998 - £50,278) were entered into on an arms length basis between the Company and Mercantile Securities (Scotland) Ltd in which Mr P N Homer had a material interest. Details of these transactions are as follows:

	1999 £	1998 £
Personnel costs	-	35,250
Fees for advisory services	-	15,028
	<u>-</u>	<u>50,278</u>

At 30<sup>th</sup> April 1999 and at 30<sup>th</sup> April 1998 there was no balance outstanding.

Sir Robin Duthie has an interest in R G Duthie & Co Limited who provide Sir Robin's services under a consultancy agreement. During the period ended 30<sup>th</sup> April 1999 these consultancy fees amounted to £16,667 (1998 - £25,000). At 30<sup>th</sup> April 1999 £7,344 (1998 - £Nil) was owed to R G Duthie & Co Limited.

Notes 15 and 24 disclose further transactions involving directors.

23 GUARANTEES AND FINANCIAL COMMITMENTS

No capital expenditure was contracted for at the year end (1998 - Nil).

	1999 £	1998 £
Operating leases: At 30 <sup>th</sup> April 1999 committed payments under operating leases for 1999/2000 amounted to		
Land and buildings	<u>48,800</u>	<u>131,922</u>

This is in respect of operating leases ending after 2004.

NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

24 ACQUISITIONS

On 17<sup>th</sup> September 1998 the group acquired, from Peter Homer, 15,000 ordinary shares of £1 each in Mercantile Securities (Scotland) Limited, being 100% of its nominal share capital, for a consideration of £75,000 cash.

On 26<sup>th</sup> October 1998 in accordance with the option agreement created on 23<sup>rd</sup> May 1997, when the group sold the entire share capital of Park Circus Registrars Limited to Logiecrest Limited, the group acquired, from Logiecrest Limited, a company owned by D R Macdonald, 100 ordinary shares of £1 each in Park Circus Registrars Limited, being 100% of its nominal share capital, for a consideration of £250,000 cash.

The net assets acquired in the current year were:

	<i>Fair value</i> £
Fixed assets	27,704
Debtors	103,420
Cash in hand	33,666
Bank overdraft	(2,481)
Creditors	(70,194)
	<u>92,115</u>
Goodwill	233,260
Acquisition consideration (note 21)	<u>325,375</u>

There were no fair value adjustments in related to current year acquisitions.

The contribution of business acquired to the turnover, profit before tax and cash flows is not material.

In relation to the acquisition of Lawson-Price Limited on 30<sup>th</sup> April 1998, final determination of the fair value of the net liabilities acquired has resulted in an increase in creditors of £229,523. As a consequence the deferred consideration has been reduced from £325,000 to £192,551 and goodwill has increased by £97,074. These adjustments are reflected in a separate table below.

Prior year acquisition:

	<i>Fair value</i> <i>at 30<sup>th</sup> April</i> 1998 £	<i>Adjustment</i> £	<i>Fair value</i> <i>at 30<sup>th</sup> April</i> 1999 £
Fixed assets	28,136	-	28,136
Debtors	269,057	-	269,057
Cash in hand	216	-	216
Bank overdraft	(25,459)	-	(25,459)
Creditors	(598,705)	(229,523)	(828,228)
	<u>326,755</u>	<u>229,523</u>	<u>(556,278)</u>
Acquisition costs including stamp duty			(69,492)
Goodwill recognised in prior year			2,721,247
Goodwill recognised in current year			97,074
Acquisition consideration			<u>2,192,511</u>

The deferred consideration of £192,551 is due to be satisfied by the issue of ordinary shares of £1 each at a price of £2.60.

# Property & Capital Group plc

## NOTES TO THE ACCOUNTS

at 30<sup>th</sup> April 1999

### 25 DISPOSALS

On 1<sup>st</sup> September 1998 the group sold the entire share capital of Neill Clerk Capital Limited to Noble Group Limited. The disposal is analysed as follows:

Net assets disposed of:

	£
Fixed assets	3,079
Debtors	635,224
Cash at bank	268,791
Other creditors	(502,315)
Short term loans	(75,000)
	<u>329,779</u>
Goodwill previously eliminated against reserves	154,990
	<u>484,769</u>
Loss on disposal	(374,119)
	<u>110,650</u>
Satisfied by:	
Cash consideration (note 21)	211,507
Costs of disposal (note 21)	(100,857)
	<u>110,650</u>

At 30<sup>th</sup> April 1999, a balance of £51,507 of the sale consideration remained outstanding and was included within "Other debtors".

On 29<sup>th</sup> April 1999, Lawson-Price Limited was placed in liquidation.

Net assets disposed of:

	£
Goodwill	2,466,031
Fixed assets	31,429
Debtors	195,416
Cash at bank	6,458
Other creditors	(524,419)
Loans	(75,000)
	<u>2,099,915</u>
Loss on liquidation	

### 26 PRIOR YEAR ADJUSTMENT

As explained in the accounts for the year ended 30<sup>th</sup> April 1998, the company changed its accounting policy for work in progress during that year whereby all costs incurred on projects are now expensed as they arise. The impact of the change in accounting policy was to reduce the reserves at 30<sup>th</sup> April 1997 by £271,662.

NOTES TO THE ACCOUNTS  
at 30<sup>th</sup> April 1999

**27 POST BALANCE SHEET EVENTS**

On 30<sup>th</sup> March 1999, PCG Residential Limited (now PCG Residential PLC), a wholly owned subsidiary of Property & Capital Group plc made a recommended cash offer for the entire issued share capital of Unchained Growth III PLC for a total consideration of £1.78M. On 20<sup>th</sup> May 1999 the offer was declared wholly unconditional and the Group has subsequently completed the acquisition of 100% of the issued share capital.

On 20<sup>th</sup> April 1999, the group made a recommended offer for the entire share capital of Unchained Growth IV PLC. On 20<sup>th</sup> May 1999 the offer was declared unconditional and the Group has subsequently completed the acquisition of 100% of the issued share capital. Acceptances in respect of 5.27% of the share capital resulted in the issue of 135,044 new Property & Capital Group plc shares issued at a price of £2.30. The consideration for the balance of the issued share capital has been settled in cash and amounted to approximately £5.21M.

The foregoing acquisitions were funded primarily by a loan of £4.7M which is repayable over 25 years after the date of drawdown, bears interest at a rate of 1.5% above three month LIBOR and is secured over the properties acquired and by the issue of secured loan stock amounting to £1.2M which bears interest at a rate of 2.5% above bank base rate and is repayable on demand between 2001 to 2006.

On 27<sup>th</sup> May 1999, the group acquired the whole issued share capital of Raven Fulham Limited from Raven Close Nominees Limited for a consideration of £1.11M satisfied as to £555,000 by the issue of 241,305 new ordinary shares, and as to £555,000 by the issue of 7% loan stock 2004-2006.



## PRO FORMA STATEMENT OF NET ASSETS

The following pro forma statement of the consolidated net assets of Property & Capital Group plc ("The Group") has been prepared for illustrative purposes only to illustrate the effect of the acquisitions of Unchained Growth III PLC "UG III", Unchained Growth IV PLC "UG IV" and Raven Fulham Limited. The statement has been prepared on the basis of the audited net assets of The Group as at 30 April 1999 as set out in the Report and Accounts and the unaudited management accounts of UG III and UG IV as at 31 March 1999 set out in the Accountants' Reports in Parts II a) and II b) of The Group's document dated 1 June 1999 "Admission to trading on the Alternative Investment Market" respectively and the net assets of Raven Fulham as at 28 April 1999 as set out in Part II c) of that document, adjusted in accordance with the notes set out below. Because of its nature, the unaudited pro forma statement of net assets of The Group may not give a true picture of the financial position.

	Property & Capital 30-Apr-99	UG III 31-Mar-99	UG IV 31-Mar-99	Raven Fulham 28-Apr-99	Adjustments Note 1	Adjustments Note 2	Property & Capital Proforma
	£	£	£	£	£	£	£
<b>FIXED ASSETS</b>							
Intangible assets							
- positive goodwill		221,458					221,458
- negative goodwill					(1,490,996)		(1,490,996)
							(1,269,538)
Tangible assets	110,939	1,893,271	4,951,522	8,394,500	2,485,500		17,835,732
Investments	141,623						141,623
	474,020	1,893,271	4,951,522	8,394,500	832,470	0	16,707,817
<b>CURRENT ASSETS</b>							
Debtors	564,427	19,886	96,516	123,554	153,067		957,450
Cash at bank and in hand	25,488	64,012	1,461,488	1,001	(382,958)	(1,168,030)	1,001
	589,915	83,898	1,558,004	124,555	(229,891)	(1,168,030)	958,451
<b>CREDITORS:</b>							
Amounts falling due within 1 year							
Bank overdraft	655,386				1,084,078	(1,168,030)	571,434
Loans	170,500						170,500
Creditors and accruals	746,724	162,125	580,659	504,958			1,994,466
Total creditors due within one year	1,572,610	162,125	580,659	504,958	1,084,078	(1,168,030)	2,736,400
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(982,695)	(78,227)	977,345	(380,403)	(1,313,969)	0	(1,777,949)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	(508,675)	1,815,044	5,928,867	8,014,097	(319,465)	0	14,929,868
<b>CREDITORS:</b>							
Amounts falling due after more than 1 year							
Loans - Nationwide					(4,700,000)		(4,700,000)
- others	(685,000)			(8,105,852)	(1,755,000)		(10,545,852)
Lease creditor	(24,854)						(24,854)
Deferred tax		(8,589)	(3,501)				(12,090)
	(1,218,529)	1,806,455	5,925,366	(91,755)	(6,774,465)	0	(352,928)

## PRO FORMA STATEMENT OF NET ASSETS

## Notes:

- 1 The proposed acquisitions incorporating provisional fair value adjustments can be summarised as follows:

	<i>UG III</i>	<i>UG IV</i>	<i>Raven Fulham</i>	<i>Total</i>
	£	£	£	£
Book value of assets acquired	1,806,455	5,925,366	(91,755)	7,640,066
Fair value adjustments - property valuation	-	-	2,485,500	2,485,500
contribution from property managers (net of tax)	85,877	67,190	-	153,067
Fair value of assets acquired	1,892,332	5,992,556	2,393,745	10,278,633
Estimated expenses of acquisitions	(85,645)	(277,313)	(20,000)	(382,958)
Negative goodwill	(30,685)	(196,566)	(1,263,745)	(1,490,996)
Cost of acquisitions	1,776,002	5,518,677	1,110,000	8,404,679
Discharged by:				
Issue of shares	-	310,601	555,000	865,601
Loans - Nationwide Building Society	1,304,800	3,395,200	-	4,700,000
- Loan stock	450,000	750,000	555,000	1,755,000
Cash	21,202	1,062,876	-	1,084,078
	1,776,002	5,518,677	1,110,000	8,404,679

- 2 Cash balances have been offset, as appropriate, against overdrafts.
- 3 No account has been taken of any changes in the net assets of any of the companies since their respective balance sheet dates.