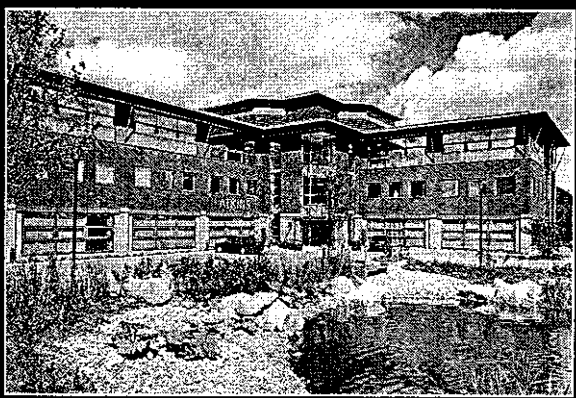
Signed copy for Registrar

Registered no. 340727

TAYLOR CLARK plc



Annual Report 2002

Front Cover: Kings Court, Worcester.
Totalling 88,000 square feet in three separate buildings, the property was developed by Taylor Clark Properties Limited and has been retained as an investment by Taylor Clark plc. Two buildings are occupied by Reality Group Limited (a subsidiary of GUS plc) and the other by WS Atkins.

Annual report
for the year ended 31 March 2002

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Directors and advisers

Directors	R Clark FCA *Chairman and Chief Executive*
	*Mrs P A H Clark
	*A R Clark
	*D T Boyd CA
	R J Harvey
	*R E Towner MA
	*Non-executive
Secretary	J A Dippie FCA
Registered Office	32 Haymarket, London, SW1Y 4TP.
	Registered number: 340727
	Date of Incorporation: 27 May 1938
Auditors	KPMG LLP
Principal Bankers	Clydesdale Bank plc
	The Royal Bank of Scotland plc

Chairman's statement

The Group profit before taxation was £0.8 million.

Property development again made the major contribution to profits. "Equinox" Glasgow, a major joint venture office development with Wilson Bowden Developments Limited, was leased and successfully sold as an investment. "Kings Court" Worcester was also completed and leased during the year. This has been retained as an investment by Taylor Clark plc. If it had been sold to a third party the profit of £ 3.6 million on this development would have been taken to profit and loss account. However, as it has been retained the increase in value has been recognised in revaluation reserve. Progress on the remaining development properties is encouraging.

The decision was taken during the year to withdraw from any direct involvement in the UK leisure industry. The majority of the sites have now been sold. The Group has however retained a minority interest in Cairnstar Limited a company formed to effect a management buyout to operate a portfolio of leisure businesses in the north of Scotland.

The farming and forestry industries continue to face very difficult trading conditions.

The performance of the USA subsidiary was very encouraging allowing for a short term fall in trading profits following the terrorist attack last September. Whilst future trends are difficult to predict I have great confidence in the ability of local management to respond to all challenges.

Our portfolio of listed investments suffered in line with markets.

In order to maintain the existing dividend policy it will be necessary for the interim dividend and any final dividend to be paid out of reserves.

A year of change and of lower trading profits caused by the restructuring of activities which I believe will result in a more focused Group. In these uncertain times comfort can be taken from the fact that shareholders' funds increased in value by £2.2m before dividends.

Robin Clark

17 July 2002

Report of the directors

The directors have pleasure in submitting their annual report, together with the financial statements for the year ended 31 March 2002.

Group Activities

Taylor Clark plc is an investment holding company. The principal activities of its subsidiary undertakings are property development, farming and forestry, hotels and restaurants in the UK and North America.

Results and dividends

As shown by the consolidated profit and loss account the loss for the financial year amounted to £992,000 *(2001: profit £4,212,000)*. After deducting £1,038,000 *(2001: £1,006,000)* for dividends paid and proposed, £2,030,000 *(2001: profit £3,206,000)* has been transferred from reserves *(2001: to reserves)*.

On 22 January 2002 an interim dividend of 30p pence per share *(2001: 30 pence per share)* was paid. The directors recommend the payment of a final dividend of 36 pence per share *(2001: 34 pence per share)* making a total for the year of 66 pence per share *(2001: 64 pence per share)*.

Directors

The directors in office at the date of this report are set out on page 2. Mr A R Clark was appointed as a non-executive director on 16 January 2002.

The interests of the directors in the ordinary £1 shares of the company at 1 April 2001 and 31 March 2002 are listed below:

	31 March 2002		1 April 2001	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
Robin Clark	**105,909**	**720,300**	108,909	720,300
Mrs P A H Clark	**108,909**	**720,300**	108,909	720,300
A R Clark	**61,450**	**–**	61,450*	–
R J Harvey	**–**	**97,000**	–	94,000

*Date of appointment.

The non beneficial shareholdings shown above arise because certain of the directors act as trustees. Where more than one director is a trustee the shares held by a particular trust may be shown more than once.

At 1 April 2001 and 31 March 2002 Mr Towner and Mr Boyd did not have any interest in the shares of the company. None of the directors had any direct interest in the shares of subsidiary undertakings.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Major shareholder

The Underwood Trust, a Registered Charity, owns 680,300 *(2001: 680,300)* ordinary shares of £1 each, representing 43.3% *(2001: 43.3%)* of the issued share capital.

Payments to suppliers

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms subject to the supplier fulfilling its obligations.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 March 2002 and amounts owed to its trade creditors at the end of the year was 17 days *(2001: 22 days)*.

Donations

The group made neither contributions for political purposes nor charitable donations during the year.

Auditors

Our auditors KPMG have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. The directors therefore appointed KPMG LLP to fill a casual vacancy. A resolution is to be proposed at the annual general meeting for the reappointment of KPMG LLP as auditors of the company.

By Order of the Board,

J A Dippie

Secretary

32 Haymarket,
London SW1Y 4TP
17 July 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and prevent and detect fraud and other irregularities.

Report of the independent auditors

To the Members of Taylor Clark plc

We have audited the financial statements on pages 8 to 30.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 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 the group as at 31 March 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants,
Registered Auditor
London
17 July 2002

Consolidated profit and loss account

for the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Turnover of the group including its share of joint ventures		33,846	41,497
Less: Share of turnover of joint ventures		(6,373)	(5,217)
Group turnover	2	27,473	36,280
Cost of sales		(21,244)	(29,003)
Gross profit		6,229	7,277
Administrative expenses		(3,632)	(5,046)
Other operating (expense)/income		(268)	1,792
Group operating profit	3	2,329	4,023
Share of operating profit of joint ventures		759	914
Share of operating profit of associates		49	–
Total operating profit		3,137	4,937
(Losses)/gains on property disposals		(1,567)	1,715
Profit before interest		1,570	6,652
Interest receivable and similar income	4	859	1,428
Interest payable and similar charges	5	(530)	(536)
Share of net interest payable of joint ventures		(1,109)	(918)
Share of net interest payable by associates		(7)	–
Profit on ordinary activities before taxation	2, 3	783	6,626
Taxation on profit on ordinary activities	7	(1,775)	(2,414)
(Loss)/profit for the financial year	8	(992)	4,212
Dividends			
Paid		(472)	(472)
Proposed		(566)	(534)
Transfer (from)/to reserves		(2,030)	3,206

A statement of the reserves is given in note 18.

The notes referred to above form part of these accounts.

Group statement of total recognised gains and losses
for the year ended 31 March 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(992)	4,212
Unrealised surplus on revaluation of properties	4,235	1,990
Unrealised deficit on revaluation of investments	(982)	(3,882)
Currency translation difference on foreign currency net assets	(33)	2,144
Other recognised gains and losses	3,220	252
Total recognised gains and losses	2,228	4,464

Note of historical cost profits and losses
for the year ended 31 March 2002

	2002 £'000	2001 £'000
Reported profit on ordinary activities before taxation	783	6,626
Realisation of revaluation gains of previous years	1,742	3,005
Historical cost profit on ordinary activities before taxation	2,525	9,631
Historical cost (loss)/profit for the year retained after taxation and dividends	(288)	6,211

Group reconciliation of movements in shareholders' funds
for the year ended 31 March 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(992)	4,212
Dividends paid and proposed	(1,038)	(1,006)
Transfer (from)/to reserves	(2,030)	3,206
Other recognised gains and losses	3,220	252
Net movement in shareholders' funds	1,190	3,458
Opening balance of shareholders' funds	151,956	148,498
Closing balance of shareholders' funds	153,146	151,956

Group balance sheet
at 31 March 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Property	9	52,067	47,053
Other tangible assets	9	2,330	4,059
Investments in joint ventures			
Share of gross assets		28,656	29,107
Share of gross liabilities		(14,731)	(14,626)
	10	13,925	14,481
Investment in associate	11	1,010	—
Other investments	11	28,198	27,189
		97,530	92,782
Current assets			
Property and developments		22,778	27,807
Stocks	13	182	216
Debtors	14	3,179	3,328
Investments		29,786	28,039
Cash at bank and in hand		9,720	14,366
		65,645	73,756
Creditors: amounts falling due within one year	15	(7,200)	(13,296)
Net current assets		58,445	60,460
Total assets less current liabilities		155,975	153,242
Provisions for liabilities and charges	16	(2,829)	(1,286)
Net assets		153,146	151,956
Capital and reserves			
Called up share capital	17	1,573	1,573
Capital redemption reserve	18	730	730
Revaluation reserve	18	18,475	16,969
Profit and loss account	18	132,368	132,684
Equity shareholders' funds		153,146	151,956

Approved by the Board on 17 July 2002 and signed on its behalf by

R Clark
R J Harvey *Directors*

The notes referred to above form part of these accounts.

Consolidated cash flow statement

for the year ended 31 March 2002

	2002 £'000	2001 £'000
Net cash (outflow)/inflow from operating activities	(434)	10,000
Returns on investments and servicing of finance	580	751
Taxation	(2,533)	(3,809)
Capital expenditure and financial investment	4,613	11,865
Acquisitions and disposals	2	(7,888)
Equity dividends paid	(1,006)	(2,563)
Cash inflow before use of liquid resources and financing	1,222	8,356
Management of liquid resources	4,343	(8,884)
Increase/(decrease) in cash	5,565	(528)

Reconciliation of net cash flow to movement in net funds

	2002 £'000	2001 £'000
Increase/(decrease) in cash in the year	5,565	(528)
Cash (inflow)/outflow from movement in liquid resources	(4,343)	8,884
Movement resulting from cash flows	1,222	8,356
Translation difference	(2)	104
Movement in the year	1,220	8,460
Net funds at 1 April 2001	36,641	28,181
Net funds at 31 March 2002	37,861	36,641

Further information concerning the consolidated cash flow statement is given in note 19 which forms part of these accounts.

Company balance sheet
at 31 March 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Property	9	29,810	15,350
Other tangible assets	9	133	141
Investments	11	71,035	73,164
		100,978	88,655
Current assets			
Debtors due after one year	14	24,000	25,905
Debtors due within one year	14	5,865	9,751
Investments		29,786	28,039
Cash at bank and in hand		12	10,017
		59,663	73,712
Creditors: amounts falling due within one year	15	(31,534)	(32,152)
Net current assets		28,129	41,560
Total assets less current liabilities		129,107	130,215
Provisions for liabilities and charges	16	(161)	(10)
Net assets		128,946	130,205
Capital and reserves			
Called up share capital	17	1,573	1,573
Capital redemption reserve	18	730	730
Revaluation reserve	18	10,780	11,993
Profit and loss account	18	115,863	115,909
Equity shareholders' funds		128,946	130,205

Approved by the Board on 17 July 2002 and signed on its behalf by

R Clark
R J Harvey *Directors*

The notes referred to above form part of these accounts.

Notes on the accounts

1 **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements except as noted below. The group has adopted FRS 18 "Accounting policies" and FRS 19 "Deferred tax" in these financial statements. There have been no restatements necessary to comparative figures. The group has followed the transitional arrangements of FRS 17 "Retirement benefits" in these statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for properties and listed investments which are revalued under the alternative accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2002. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cashflows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 April 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 April 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation in respect of acquisitions since 1 April 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Notes on the accounts
continued

1 **Accounting policies** *(continued)*

Depreciation of fixed assets

Fixed assets are depreciated on a straight line basis over their estimated useful lives adopting the following rates per annum:

Investment properties and freehold land	—	nil
Freehold buildings	—	0%-4%
Leasehold properties	—	over the life of the lease, limited to the final fifty years.
Other tangible assets:		
Short life equipment	—	50%
Farming equipment	—	At between 10% and 20%
Other plant and equipment	—	At between 10% and 33%
Assets in course of construction	—	nil

Investment property

In accordance with SSAP 19, as amended in July 1994, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve; except where there is a deficit on an individual investment property that is expected to be permanent, which is charged to the profit and loss account for the period. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty one years to run.

This treatment, as regards certain of the group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are held for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified. The profits and losses on disposal of investment properties are computed by reference to the valuation at the previous year end of the assets concerned plus subsequent expenditure.

Trading property

On the adoption of FRS 15, the group has followed the transitional provisions to retain the net book value of land and buildings which were revalued in 1996 and which is now deemed to be cost. Trading properties are therefore stated at cost or 1996 valuation. They will not be revalued in the future.

Any impairment in the value of properties is charged to the profit and loss account.

Fixed asset investments

Listed investments held as fixed assets are revalued annually to the market price at the balance sheet date. The aggregate surplus or deficit on revaluation is transferred to a revaluation reserve.

Other investments held as fixed assets are shown at cost less provision, where in the opinion of the directors there has been an impairment in value.

Current asset investments

Current asset investments comprise listed investments which are held on a short term basis and are valued at the lower of cost and net realisable value. Market value at 31 March 2002: £29,786,000 *(2001: £28,166,000).*

1 Accounting policies *(continued)*

Woodlands

The investment in woodlands reflects the costs of establishing commercial woodlands, net of grants received. The running costs are taken to profit and loss account.

Property and developments held as current assets

Properties held for development are included in current assets at the lower of cost and net realisable value. Cost comprises the original cost of the property, together with subsequent third party development costs until the property is complete and available for use. For properties previously held for investment which the directors have decided are to be redeveloped and which are reclassified as development properties, cost is considered to be historical cost or if higher, the latest valuation prior to their reclassification. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires current assets to be included at the lower of cost and net realisable value, and which would therefore require such properties to be restated on the basis of historical cost when they were reclassified. The directors consider that compliance with this requirement would fail to give a true and fair view of the profit or loss to the Group on disposal of such development properties from current assets, since such profit or loss would be dependent on the classification of the asset immediately prior to sale. The effect of this departure is to increase both the value of development properties and the balance on the revaluation reserve by £nil *(2001: £218,000)*.

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account as they are incurred.

Turnover

Turnover represents income from sales of property held for development, rents, farm produce and leisure operations, excluding Value Added Tax.

Taxation

The charge for taxation is based on the profit for the year. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. The change from partial to full provisioning in the year gave rise to no prior year adjustments.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The accounts of overseas subsidiary undertakings are translated at the exchange rate ruling at the balance sheet date. The exchange differences arising on the translation of opening net assets are taken directly to reserves.

Notes on the accounts
continued

1 **Accounting policies** *(continued)*

Pensions

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees working lives within the group.

The parent is a member of that pension scheme but is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore as required by FRS 17 "Retirement benefits" accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the parent's profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

2 **Turnover and business segment analysis**

By activity

2002	*Property*	*Leisure*	*Other*	*Total*
	£'000	£'000	£'000	£'000
Group turnover	**15,885**	**10,163**	**1,425**	**27,473**
Profit before interest	**3,098**	**(1,781)**	**253**	**1,570**
Profit before taxation	**2,258**	**(2,578)**	**1,103**	**783**
Assets employed	**65,928**	**22,759**	**64,459**	**153,146**
2001				
Group turnover	22,413	12,448	1,419	36,280
Profit before interest	5,484	399	769	6,652
Profit before taxation	4,619	(302)	2,309	6,626
Assets employed	58,750	28,693	64,513	151,956

By geographical market	2002			2001		
(by destination and origin)	*UK*	*North America*	*Total*	*UK*	*North America*	*Total*
	£'000	£'000	£'000	£'000	£'000	£'000
Group turnover	**20,004**	**7,469**	**27,473**	30,867	5,413	36,280
Profit before interest	**231**	**1,339**	**1,570**	5,521	1,131	6,652
Profit before taxation	**9**	**774**	**783**	6,092	534	6,626
Assets employed	**131,892**	**21,254**	**153,146**	131,931	20,025	151,956

3 Profit on ordinary activities before taxation

The profit before taxation is arrived at after crediting and charging the following:

	2002 £'000	2001 £'000
Crediting:		
Income from listed investments	1,887	2,031
Charging:		
Depreciation (leased assets £16,000 (2001: £29,000))	1,258	1,269
Impairment of freehold trading property	312	1,393
Impairment of leasehold trading property	105	—
Impairment of other tangible assets	375	—
Auditors' remuneration:		
Audit fees Group (including Company £31,000 (2001: £31,000))	132	131
Other services	141	104
Operating lease rental payments in respect of land and buildings	338	377

4 Interest receivable and similar income

	2002 £'000	2001 £'000
Bank and other interest receivable	859	1,098
Currency translation differences	—	330
	859	1,428

5 Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	405	517
Other interest charges	7	19
Currency translation differences	118	—
	530	536

6 Staff costs and directors' emoluments

The average number of persons employed by the group during the year was as follows:

	2002 Number	2001 Number
Property, management and administration	14	14
Leisure (including approximately 60% part time)	258	437
Other	7	6
	279	457

The aggregate payroll costs of these persons were as follows:

	2002 £'000	2001 £'000
Wages and salaries	2,879	3,992
Social security costs	213	287
Other pension costs	171	212
	3,263	4,491

Notes on the accounts
continued

6 **Staff costs and directors' emoluments** *(continued)*
Directors' remuneration:

	2002 £'000	2001 £'000
Directors' emoluments	249	203
Amount paid to third party in respect of directors' services	21	21
	270	224

The aggregate of emoluments of the highest paid director (excluding pension contributions) were £110,000 *(2001: £103,000)*. He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from his normal retirement date if he were to retire at the year end, was £38,000 *(2001: £34,000)*.

	Number of directors 2002	2001
Retirement benefits are accruing to the following number of directors under a defined benefit scheme	2	1

7 Taxation

	2002 £'000	2001 £'000
Analysis of charge in period		
UK corporation tax		
Current tax on income for the period	(2,593)	(2,268)
Adjustments in respect of prior years	80	222
	(2,513)	(2,046)
Foreign tax		
Current tax on income for the period	(188)	(269)
Total current tax	(2,701)	(2,315)
Deferred tax	930	(99)
Share associate's tax	(4)	–
Tax on profit on ordinary activities	(1,775)	(2,414)

Factors affecting the tax charge for the current period
The current tax charge for the period is higher *(2001: higher)* than the standard rate of corporation tax in the UK 30% *(2001: 30%)*. The differences are explained below.

	2002 £'000	2001 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	783	6,626
Current tax at 30% *(2001: 30%)*	235	1,988
Effects of:		
Expenses not deductible for tax purposes	907	(68)
Capital allowances for period in excess of depreciation	359	84
Tax due on properties reclassified to fixed assets	1,130	228
Adjustments to tax charge in respect of previous periods	(80)	(222)
Sundry other items	150	305
Total current tax charge	2,701	2,315

Factors that may affect future tax charges
No provision has been made for deferred tax on gains recognised on revaluing properties to their market value or on fixed asset investments revalued. The total amounts unprovided for properties are £1,690,000 *(2001: £713,000)* and for fixed asset investments £387,000 *(2001: £713,000)*. At present it is not envisaged that any tax will become payable in the foreseeable future.

8 **(Loss)/profit for the financial year**

	2002	2001
	£'000	£'000
Dealt with in the accounts of the holding company	887	6,763
Retained by subsidiary undertakings	(1,879)	(2,551)
	(992)	4,212

9 **Fixed assets: Property and other tangible assets**

	Freehold property		*Leasehold property Short lease*		
	Investment	*Trading*	*Trading*	*Total property*	*Other tangible assets*
Group:	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
1 April 2001	26,782	21,954	1,214	49,950	9,708
Additions	—	299	—	299	548
Reclassified from property and developments	10,819	—	—	10,819	—
Disposals	(4,750)	(5,279)	(146)	(10,175)	(3,282)
Translation difference	(11)	(16)	—	(27)	(6)
Reclassification	—	57	—	57	(71)
Surplus on revaluation	4,235	—	—	4,235	—
31 March 2002	**37,075**	**17,015**	**1,068**	**55,158**	**6,897**
Cost	—	14,769	69	14,838	6,897
Valuation	37,075	2,246	999	40,320	—
	37,075	**17,015**	**1,068**	**55,158**	**6,897**
Depreciation:					
1 April 2001	—	2,245	652	2,897	5,649
Charged in year	—	337	41	378	880
Impairment	—	312	105	417	375
Disposals	—	(566)	(33)	(599)	(2,336)
Reclassification	—	(1)	—	(1)	1
Translation difference	—	(1)	—	(1)	(2)
31 March 2002	**—**	**2,326**	**765**	**3,091**	**4,567**
Net book value:					
1 April 2001	26,782	19,709	562	47,053	4,059
31 March 2002	**37,075**	**14,689**	**303**	**52,067**	**2,330**
Historical cost of items valued under the alternative accounting rules	25,327	1,976	764	28,067	—

Notes on the accounts
continued

9 **Fixed assets: Property and other tangible assets** *(continued)*

Company:	*Freehold investment property* £'000	*Other tangible assets* £'000
Cost or valuation:		
1 April 2001	15,350	553
Additions	14,586	49
Disposals	–	(26)
Deficit on revaluation	(126)	–
31 March 2002	**29,810**	**576**
Cost	–	576
Valuation	29,810	–
	29,810	**576**
Depreciation:		
1 April 2001	–	412
Charged in year	–	57
Disposals	–	(26)
31 March 2002	**–**	**443**
Net book value:		
1 April 2001	15,350	141
31 March 2002	**29,810**	**133**
Historical cost of items valued under the alternative accounting rules	20,320	–

Tangible fixed assets at 31 March 2002 have been included on the following bases:

- Investment properties have been valued on an open market basis as at 31 March 2002 using the relevant professional guidelines applicable to each country in which the property is located. The portfolio was valued by:

	Group By value £'000	*Company By value* £'000
DTZ Debenham Tie Leung, International Property Advisers	14,690	14,690
Hamilton, Ricci & Associates, Inc	7,430	–
Directors of group undertakings	14,955	15,120

- Trading property is included at cost or at 1996 valuation which under the transitional arrangements of FRS 15 is now deemed to be cost.
- Other tangible assets comprise fixtures, fittings, plant, machinery and motor vehicles. These assets are included at cost less provision for depreciation and, if appropriate, impairment in value.

10 **Fixed assets: Investments in joint ventures**

Group:	£'000
At 1 April 2001	14,481
Additions	193
Disposals	(125)
Distributions received	(70)
Share of earnings	(536)
Translation difference	(18)
At 31 March 2002	13,925

10 **Fixed assets: Investments in joint ventures** *(continued)*

At both 1 April 2001 and 31 March 2002 the group held interests in the following joint ventures:

- a 50% limited partnership interest in Hy's at the Mountain, a Canadian Limited Partnership which operates a restaurant.
- a 47.5% interest in Hill Creek Farms LLC, a limited liability company formed to develop and operate an almond orchard and vineyard in Northern California.
- a 37.5% interest in Liberty West Holdings LLC ("Liberty West"), a limited liability company formed to purchase and operate an office and retail property in Nevada.
- a 50% interest in Vallejo Hotel Group LLC, a limited liability company formed to renovate and operate a hotel in Northern California.
- a 50% interest in HHP Equity Partners LLC ("Heathman"), a limited liability company formed to purchase and operate the Heathman Hotel in Portland, Oregon.

Further information, as required by FRS 9 is set out below:

	Group share of joint ventures £'000	*Group share of Liberty West* £'000	*Group share of Heathman* £'000
Turnover	6,373	1,479	2,259
(Loss)/Profit before and after taxation	(536)	(61)	(230)
Fixed assets	23,251	9,360	8,208
Current assets	5,404	532	3,154
Liabilities due within one year	702	168	336
Liabilities due after more than one year	14,029	6,958	3,410

None of the joint ventures are subject to corporate taxation. Tax is payable by the shareholders of the joint ventures on their share of income.

11 **Fixed assets: Other investments**

	Listed £'000	*Woodlands* £'000	*Other* £'000	*Total* £'000	*Investment in associated undertaking* £'000
Group:					
Cost or market value					
1 April 2001	23,853	2,127	2,307	28,287	—
Additions	5,330	96	571	5,997	972
Share of results of associated undertaking	—	—	—	—	38
Disposals	(3,673)	(15)	(17)	(3,705)	—
Revaluation deficit	(982)	—	—	(982)	—
Translation difference	—	—	(1)	(1)	—
31 March 2002	24,528	2,208	2,860	29,596	1,010
Provisions					
1 April 2001	—	—	1,098	1,098	—
Provided in year	—	—	300	300	—
31 March 2002	—	—	1,398	1,398	—
Net book value:					
31 March 2001	23,853	2,127	1,209	27,189	—
31 March 2002	24,528	2,208	1,462	28,198	1,010

Notes on the accounts
continued

11 Fixed assets: Other investments *(continued)*

	Listed £'000	*Shares in subsidiary undertakings* £'000	*Investment in associated undertaking* £'000	*Other* £'000	*Total* £'000
Company:					
Cost or market value					
1 April 2001	23,853	55,208	–	1,935	80,996
Additions	5,330	–	972	571	6,873
Disposals	(3,673)	(101)	–	(13)	(3,787)
Revaluation deficit	(982)	–	–	–	(982)
31 March 2002	**24,528**	**55,107**	**972**	**2,493**	**83,100**
Provisions					
1 April 2001	–	6,734	–	1,098	7,832
Provided in year	–	3,934	–	300	4,234
Disposals	–	(1)	–	–	(1)
31 March 2002	**–**	**10,667**	**–**	**1,398**	**12,065**
Net book value:					
31 March 2001	23,853	48,474	–	837	73,164
31 March 2002	**24,528**	**44,440**	**972**	**1,095**	**71,035**

The associated undertaking is Cairnstar Limited, a company incorporated in Scotland. During the year the company acquired a 29% interest in Cairnstar which was formed to effect a management buy out of certain of the Group's leisure businesses in the North of Scotland (see note 23).

12 Subsidiary undertakings

The company owned the proportions set out below of the issued share capital of the following principal subsidiary undertakings:

	Percentage of equity owned at 31 March 2002	*Country of registration/ incorporation*
Property		
Taylor Clark Properties Limited	100	Scotland
Taylor Clark International Limited	100	England
Taylor Clark Inc	100*	USA
Castlehill Properties Inc	100*	USA
TCI Reno Inc	100*	USA
Leisure		
Littlejohn's Restaurants (U.K.) Limited	100	Scotland
Caledonian Nightclubs Limited	100	Scotland
Caledonian Cinemas Limited	100	Scotland
Farming and woodlands		
Wylye Valley Farming Limited	100	England

**Owned by a subsidiary undertaking*

13 Stocks

Stocks comprise:	Group 2002 £'000	Group 2001 £'000
Leisure operations	32	107
Farm produce	150	109
	182	216

14 Debtors

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts due after one year				
Amounts owed by subsidiary undertakings	—	—	24,000	25,905
Amounts due within one year				
Trade debtors	1,651	700	406	335
Amounts owed by subsidiary undertakings	—	—	4,935	9,349
Corporation tax receivable	50	34	—	—
Other debtors	684	2,429	43	22
Prepayments and accrued income	794	165	481	45
	3,179	3,328	5,865	9,751

15 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	1,645	5,764	1,551	5,000
Trade creditors	698	828	21	35
Amounts owed to subsidiary undertakings	—	—	28,685	25,799
Amounts owed to associated undertakings	22	—	—	—
Other creditors including taxation and social security	2,321	2,197	419	400
Accruals and deferred income	1,948	3,973	292	384
Dividends	566	534	566	534
	7,200	13,296	31,534	32,152
Other creditors including taxation and social security comprise:				
Corporation tax	1,289	1,105	241	250
Other taxes	282	311	91	62
Social security	41	56	22	23
Other creditors	709	725	65	65
	2,321	2,197	419	400

£1,645,000 (*2001: £5,764,000*) of the bank loans and overdrafts are secured by charges over certain of the group's fixed assets.

Notes on the accounts
continued

16 Provisions for liabilities and charges

Group	*Provision for long term management incentive plan* £'000	*Property provisions* £'000	*Deferred taxation* £'000	*Total* £'000
1 April 2001	–	–	1,286	1,286
Charged to profit and loss account	1,404	320	(930)	794
Reclassified from accruals and deferred income	750	–	–	750
Translation difference	–	–	(1)	(1)
31 March 2002	**2,154**	**320**	**355**	**2,829**

Company	*Deferred taxation* £'000
1 April 2001	10
Charged to profit and loss account	151
31 March 2002	**161**

The provision for long term management incentive plan represents amounts provided for certain members of management. The end date for the plan is 31 March 2003 and the amount to be paid will not be finalised until the audited financial performance to that date is available.

The property provisions represent provisions for future rentals and associated costs in respect of trading properties.

The elements of deferred taxation are as follows:

	Group 2002 £'000	*Group* 2001 £'000	*Company* 2002 £'000	*Company* 2001 £'000
Difference between accumulated depreciation and amortisation and capital allowances	979	845	161	10
Other timing differences	293	441	–	–
Deferred tax provision	1,272	1,286	161	10
Deferred tax assets				
Expenses not currently deductible	271	–	–	–
Tax relief on provision for long term management incentive plan	646	–	–	–
	917	–	–	–
Deferred tax liability	355	1,286	161	10

17 Share capital

	Authorised £'000	Allotted, called up and fully paid £'000
Ordinary shares of £1 each:		
31 March 2002 and 2001	2,500	1,573

18 Reserves

	Capital redemption reserve £'000	Revaluation reserves Properties £'000	Listed Investments £'000	Profit and loss account £'000	Total £'000
Group					
1 April 2001	730	14,592	2,377	132,684	150,383
Loss for the year	—	—	—	(2,030)	(2,030)
Increase/(decrease) arising on revaluation	—	4,235	(982)	—	3,253
Realised on disposal	—	(1,637)	(105)	1,742	—
Currency translation difference	—	(5)	—	(28)	(33)
31 March 2002	**730**	**17,185**	**1,290**	**132,368**	**151,573**

	Capital redemption reserve £'000	Revaluation reserves Properties £'000	Listed Investments £'000	Profit and loss account £'000	Total £'000
Company					
1 April 2001	730	9,616	2,377	115,909	128,632
Loss for the year	—	—	—	(151)	(151)
Increase/(decrease) arising on revaluation	—	(126)	(982)	—	(1,108)
Realised on disposal	—	—	(105)	105	—
31 March 2002	**730**	**9,490**	**1,290**	**115,863**	**127,373**

At 31 March 2002, the cumulative goodwill written off against group reserves amounted to £1,259,000 *(2001: £1,302,000).*

Notes on the accounts
continued

19 Notes to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2002 £'000	2001 £'000
Group operating profit	2,329	4,023
Loss on sale of tangible fixed assets	6	2
(Loss)/profit on sale of fixed asset investments	225	(40)
Impairment of freehold trading property	312	1,393
Impairment of leasehold trading property	105	–
Impairment of other tangible assets	375	–
Depreciation charges	1,258	1,269
Amount provided against fixed asset investments	300	312
Currency translation differences	(101)	(28)
Decrease in stocks	34	16
Decrease/(increase) in debtors	158	(1,275)
(Decrease)/increase in creditors	(2,119)	1,301
(Increase)/decrease in property and developments	(5,790)	3,027
Increase in provisions	2,474	–
Net cash (outflow)/inflow from operating activities	(434)	10,000

Returns on investments and servicing of finance

	2002 £'000	2001 £'000
Interest received	1,052	1,275
Interest paid	(472)	(524)
Net cash inflow from returns on investments and servicing of finance	580	751

Capital expenditure and financial investment

	2002 £'000	2001 £'000
Purchase of tangible fixed assets	(847)	(4,858)
Purchase of fixed asset investments	(6,969)	(3,972)
Proceeds from sales of tangible fixed assets	8,949	20,035
Proceeds from sales of fixed asset investments	3,480	660
Net cash inflow from capital expenditure and financial investment	4,613	11,865

Acquisitions and disposals

	2002 £'000	2001 £'000
Investments in joint ventures	(193)	(8,043)
Distributions received from joint ventures	70	108
Proceeds from disposals of joint ventures	125	47
Net cash inflow/(outflow) from acquisitions and disposals	2	(7,888)

Management of liquid resources

	2002 £'000	2001 £'000
Cash withdrawals from/(added) to fixed deposits	6,090	(5,540)
Increase in current asset investments	(1,747)	(3,344)
Net cash inflow/(outflow) from management of liquid resources	4,343	(8,884)

19 **Notes to the cash flow statement** *(continued)*

Analysis of net funds

	1 April 2001 £'000	*Cash flow £'000*	*Exchange Movement £'000*	**31 March 2002 £'000**
Cash in hand and at bank	2,576	1,446	(2)	**4,020**
Overdrafts	(764)	(881)	–	**(1,645)**
Debt due within 1 year	(5,000)	5,000	–	**–**
		5,565		
Funds on deposit over one day	11,790	(6,090)	–	**5,700**
Current asset investments	28,039	1,747	–	**29,786**
Total	36,641	1,222	(2)	**37,861**

20 **Commitments**

There were no capital commitments contracted for but not provided at 31 March 2002 *(2001: £nil)*.

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 March 2003.

	2002 £'000	2001 £'000
Land and buildings		
Expiring:		
Between 2 and 5 years	**30**	–
Over 5 years	**275**	355
	305	355

No provision has been made in the financial statements in respect of financial commitments of £717,000 (2001: £11,130,000) which relate to payments which will become due under contracts entered into for the purchase of land and buildings and the construction or redevelopment of properties.

The company holds investments which may result in the drawdown of further funds in future periods. Under this arrangement, the company is committed to providing further investment of £2,954,000 *(2001: £525,000)*.

21 **Contingent liabilities**

The company together with certain of its fellow group undertakings, has group facilities with its bankers. In connection with these facilities each participating undertaking has guaranteed the debt due by its fellow participating undertakings to its bankers. The company's potential liability under the guarantee at 31 March 2002 was £21,000 (*2001: £79,000*).

22 **Pension costs**

Taylor Clark plc Retirement and Death Benefit Scheme

The company operates a defined benefit pension scheme for group employees with the assets being held separately from those of the company.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Notes on the accounts
continued

22 **Pension costs** *(continued)*

The most recent actuarial valuation was carried out as at 1 April 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, rate of increase in salaries and rate of pension increases. It was assumed that investment returns would exceed salary increases by 1.9% per annum and pension increases by 1.9% per annum.

The actuarial valuation showed the actuarial value of the assets represented a funding level of 99%, but following a post valuation event in July 2001, the results have been recast to 1 April 2001 giving a funding level of 108%.

The pension charge for the year was £171,000 *(2001: £212,000)*. There were no outstanding or prepaid contributions at either the beginning or end of the year. The contribution of the group for the scheme was 16% *(2001: 16%)* of total pensionable salary. The employees contribute an additional 4% *(2001: 4%)*.

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accountancy Practice 24 "Accounting for Pension costs" under FRS 17 "Retirement benefits" the following transitional disclosures are required:

The valuation at 31 March 2001 has been updated by the Actuary on an FRS 17 basis as at 31 March 2002.

The major assumptions used by the Actuary were:

Discount rate	6.00% pa
Rate of increase in salaries	4.75% pa
Rate of increase in pensions in payment	3.00% pa
Price Inflation	2.75% pa

The assets and liabilities in the Scheme and long-term expected rates of return are shown below:

	Value at 31 March 2002 (£000)	*Long-term Expected Return at 31 March 2002 (%)*
Equities and Property	3,803	7.50
Bonds	943	5.25
Cash	13	2.75
Total Market value of Fund assets	4,759	
Present value of Fund liabilities	4,147	
Surplus in the scheme—Pension Asset	612	
Related deferred tax asset	(184)	
Net Pension Asset	428	

The amount of this net pension asset would have a consequential effect on the reserves.

23 Related party transactions

The Taylor Clark plc group's related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

	Sub note	2002 £'000	2001 £'000
Management charge to The Underwood Trust, in respect of services provided by the group	1	17	16
Dividends paid by Taylor Clark plc and received in a beneficial capacity by:			
The Underwood Trust		435	1,109
Directors of Taylor Clark plc		139	355
Fees paid to Richards Butler	2	115	52
Investment by Taylor Clark plc in share capital of Cairnstar Limited	3	729	–
Issue of loan stock to Taylor Clark plc by Cairnstar Limited	3	243	–
Sale of fixed assets by Caledonian Nightclubs Limited, Caledonian Cinemas Limited and Littlejohn's Restaurants (U.K.) Limited to Cairnstar Limited	3	2,350	–
Management charge by Cairnstar Limited, in respect of services provided to Littlejohn's Restaurants (U.K.) Limited and Caledonian Cinemas Ltd	3	57	–

Sub notes

1 At 31 March 2001, The Underwood Trust held 680,300 ordinary shares *(2001: 680,300)* representing in aggregate 43.3% *(2001: 43.3%)* of the issued share capital of the company. The Underwood Trust is an English charitable trust which was established in 1973. The Trustees of The Underwood Trust comprise Mr R Clark, who is also Chairman of Taylor Clark plc, together with Mrs P A H Clark, a fellow director of Taylor Clark plc.

2 Mr R E Towner, a director of Taylor Clark plc, is a consultant to Richards Butler, solicitors.

3 On 17 December 2001 the Taylor Clark Group sold assets owned by Taylor Clark Leisure plc, Caledonian Nightclubs Limited, Caledonian Cinemas Limited and Littlejohn's Restaurants (U.K.) Limited, to Cairnstar Limited ("Cairnstar"), a company controlled by a management buyout team. At the year end the group owned voting rights of 29% in Cairnstar. The fixed assets were disposed of for the following consideration:

	£'000
Share capital (including share premium)	729
Loan stock	243
Cash	1,378
Total proceeds	2,350

Since 17 December 2001 Cairnstar have managed the remaining UK Leisure assets of the group. The group pays Cairnstar a management fee for the provision of these services.

Initially Cairnstar charged a management fee to Caledonian Cinemas Limited for operating the Perth Cinema. On 28 March 2002 Cairnstar agreed to lease the property from Caledonian Cinemas Limited for a period of five years at an annual rental of £100,000.

Notes on the accounts
continued

23 **Related party transactions** *(continued)*

The amounts outstanding from Cairnstar at the year end were £243,000 due to Taylor Clark plc in respect of the loan stock and £4,202 due to Caledonian Cinemas Limited. Caledonian Nightclubs owed £3,969 to Cairnstar.

4 The group has an investment in Equinox 2001 Limited which was acquired in the year ended 31 March 2001. The group owns 50% of the voting rights of this property development company and exercises joint control of this investment which is deemed to be a joint arrangement which is not an entity as defined by FRS 9.

On 12 June 2000 the group sold a development property to Equinox 2001 Limited which also reimbursed the group for various pre-commencement project costs. The total paid by Equinox 2001 Limited to the group was £2,464,687 (including VAT).

During the year Equinox 2001 Limited sold its development. Up to the date of the sale the group provided ongoing funding for this property development totalling £4,362,737 *(2001: £2,229,219).* At sale the group received £9,376,122 from Equinox 2001 Limited. The balance due to Equinox 2001 Limited at the year end was £2,884,166 *(2001: £229,219 receivable).*

5 Mr R Clark and his family and Mr C Clark are the ultimate controlling parties of the group.

Financial record

for the years ended 31 March

	2002 £'000	2001 £'000	2000 £'000	1999 £'000	1998 £'000	1997 £'000
Balance sheet						
Fixed assets						
Property	52,067	47,053	55,410	52,967	56,041	102,481
Other tangible assets	2,330	4,059	4,216	3,854	3,852	7,649
Investments	43,133	41,670	34,094	11,124	9,745	3,454
Net current assets	58,445	60,460	60,881	73,814	67,383	26,084
Other liabilities and provisions	(2,829)	(1,286)	(6,103)	(6,752)	(11,882)	(15,469)
Minority interests	—	—	—	(367)	(354)	(341)
Net assets	153,146	151,956	148,498	134,640	124,785	123,858
Capital and reserves						
Called up share capital	1,573	1,573	1,573	1,573	1,573	1,573
Revaluation reserve	18,475	16,969	21,709	14,390	14,552	33,442
Other reserves	133,098	133,414	125,216	118,677	108,660	88,843
Equity shareholders' funds	153,146	151,956	148,498	134,640	124,785	123,858
Turnover and profits						
Turnover	27,473	36,280	41,408	35,079	53,448	35,958
Profit/(loss) after taxation	(992)	4,212	8,762	10,371	1,262	5,170
Dividends	(1,038)	(1,006)	(2,563)	(959)	(944)	(928)

Directors of principal subsidiary companies
(excluding directors of Taylor Clark plc)

Property Companies	Jon Brand John Dippie Christopher Edwards* John Fox
Wylye Valley Farming Limited	John Coates* Antony Cox
Taylor Clark Inc	Andrew Macdonald* Ralph Wintrode*
	Managers Crawford International Inc

*Non-executive

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