

**SUNLEY FAMILY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31ST DECEMBER 1996**

**Registered Number: 2168750**



**SUNLEY FAMILY LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 1996**

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# **SUNLEY FAMILY LIMITED**

## **DIRECTORS' REPORT**

**YEAR ENDED 31ST DECEMBER 1996**

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The directors submit their report and the financial statements of the company and the group for the year ended 31st December 1996.

### **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 of the group 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 company and 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 the group and to enable them to ensure that the financial statements 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.

### **REVIEW OF THE BUSINESS**

The principal activities of the companies in the Sunley Family Group involve commercial and industrial property investment and trading, housebuilding, residential refurbishment and venture capital investment.

The profit for the year reflects the improved market conditions in most areas of the group's activities.

### **RESULTS**

The results for the year are set out on page 4.

The company has paid two interim dividends on 30th June 1996 and 21st October 1996 in respect of the 8% cumulative preference shares. On 21st October 1996 the 8% cumulative preference shares were purchased by the company and cancelled. The directors recommend that a final dividend of £1.95 per share be paid in respect of the ordinary shares.

### **DIRECTORS**

The directors who served during the year were:-

Neil W. Benson	Chairman
John B. Sunley	
James B. Sunley	
Richard J.S. Tice	

**SUNLEY FAMILY LIMITED**

**DIRECTORS' REPORT (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

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**DIRECTORS' INTERESTS**

The interests of the directors at 31st December 1996 and 1995 in the share capital of the company, were:

	Ordinary Shares of 10p each
John B. Sunley	24,480
James B. Sunley	12,240
Richard J.S. Tice	12,240

John B. Sunley held 240,000 8% cumulative preference shares at 1st January 1996. On 21st October 1996 the shares were purchased by the company and cancelled.

**AUDITORS**

Hays Allan have indicated their willingness to continue in office as auditors and offer themselves for re-appointment.

**BY ORDER OF THE BOARD**

JAMES B. SUNLEY  
Secretary



Registered Office:  
Southampton House  
317 High Holborn  
London WC1V 7NL

27th March 1997

**AUDITORS' REPORT TO THE MEMBERS OF  
SUNLEY FAMILY LIMITED**

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We have audited the financial statements on pages 4 to 21 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 11.

**Respective responsibilities of directors and auditors**

As described on page 1 the group's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

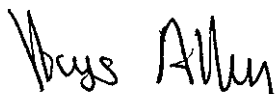
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st December 1996 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Hays Allan  
Chartered Accountants  
Registered Auditors**

**Southampton House  
317 High Holborn  
London  
WC1V 7NL**

27th March 1997

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31ST DECEMBER 1996**

	Note	1996 £'000	1995 £'000
TURNOVER	2	24,520	20,828
COST OF SALES		(18,812)	(15,238)
WRITE DOWN OF DEVELOPMENT AND TRADING PROPERTIES		(275)	(566)
GROSS PROFIT		5,433	5,024
ADMINISTRATIVE EXPENSES: Recurring : Exceptional	2(d)	(2,977) 775	(3,235) -
SHARE OF PROFIT OF ASSOCIATED COMPANIES	10(b)	3,231 590	1,789 449
OPERATING PROFIT	2	3,821	2,238
INTEREST PAYABLE ON CONVERTIBLE UNSECURED LOAN NOTE		-	(297)
NET BANK INTEREST PAYABLE	3	(1,412)	(1,938)
PROFIT AFTER INTEREST		2,409	3
PROFIT ON DISPOSAL OF SUBSIDIARY BUSINESS		-	254
REPAYMENT OF LOAN TO SUBSIDIARY COMPANY PREVIOUSLY PROVIDED AGAINST	20	1,048	-
LOSS ON SALE AND WRITE DOWN OF FIXED ASSETS	4	(529)	(2,120)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,928	(1,863)
TAX (CHARGE)/CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	7	(401)	129
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		2,527	(1,734)
EQUITY MINORITY INTERESTS		(258)	(52)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,269	(1,786)
DIVIDENDS PAYABLE ON EQUITY SHARES	8	(458)	-
DIVIDENDS PAID ON NON EQUITY SHARES	8	(20)	(26)
RETAINED PROFIT/(LOSS) FOR THE YEAR	18	1,791	(1,812)

Turnover and operating profit are wholly derived from continuing operations.

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES (THE GROUP)**

**CONSOLIDATED BALANCE SHEET**

**31ST DECEMBER 1996**

	Note	1996 £'000	1995 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	23,037	23,087
Investments	10	4,536	4,984
		<u>27,573</u>	<u>28,071</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	11	18,642	14,821
Debtors	12	2,157	2,815
Cash at bank and in hand		4,791	1,715
		<u>25,590</u>	<u>19,351</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Loans and bank overdrafts	13	9,618	5,439
Creditors	14(a)	7,751	4,362
		<u>17,369</u>	<u>9,801</u>
<b>NET CURRENT ASSETS</b>		<u>8,221</u>	<u>9,550</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>35,794</u>	<u>37,621</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Bank loans and convertible loan	15	12,836	16,520
Creditors	14(b)	921	1,402
		<u>13,757</u>	<u>17,922</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	16	-	139
		<u>22,037</u>	<u>19,560</u>
<b>CAPITAL AND RESERVES</b>			
<b>CALLED UP SHARE CAPITAL</b>	17	23	343
<b>SHARE PREMIUM ACCOUNT</b>	18	11,289	11,289
<b>REVALUATION RESERVE</b>	18	1,103	527
<b>OTHER RESERVES</b>		16,661	16,661
<b>PROFIT AND LOSS ACCOUNT</b>	18	(7,780)	(9,364)
<b>CAPITAL MAINTENANCE RESERVE</b>	18	320	-
<b>SHAREHOLDERS' FUNDS</b>		<u>21,616</u>	<u>19,456</u>
<b>EQUITY MINORITY INTERESTS</b>		421	104
		<u>22,037</u>	<u>19,560</u>
<b>SHAREHOLDERS' FUNDS</b>			
Equity		21,616	19,136
Non-equity		-	320

Approved by the Board on 27th March 1997 and signed on its behalf by

Neil W. Benson Director

James B. Sunley Director

SUNLEY FAMILY LIMITED (THE COMPANY)

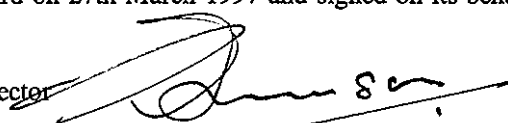
BALANCE SHEET

31ST DECEMBER 1996

	Note	1996 £'000	1995 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	811	-
Investments	10	19,149	18,868
		<u>19,960</u>	<u>18,868</u>
<b>CURRENT ASSETS</b>			
Debtors	12	1,675	3,309
Cash at bank and in hand		572	292
		<u>2,247</u>	<u>3,601</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14(a)	3,284	2,599
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(1,037)</u>	<u>1,002</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,923</u>	<u>19,870</u>
<b>CAPITAL AND RESERVES</b>			
<b>CALLED UP SHARE CAPITAL</b>	17	23	343
<b>SHARE PREMIUM</b>	18	11,289	11,289
<b>CAPITAL MAINTENANCE RESERVE</b>	18	320	-
<b>PROFIT AND LOSS ACCOUNT</b>	18	7,291	8,238
<b>SHAREHOLDERS' FUNDS</b>		<u>18,923</u>	<u>19,870</u>
<b>EQUITY</b>		<u>18,923</u>	<u>19,550</u>
<b>NON-EQUITY</b>		<u>-</u>	<u>320</u>

Approved by the Board on 27th March 1997 and signed on its behalf by

Neil W. Benson Director



James B. Sunley Director





**SUNLEY FAMILY LIMITED**

**GROUP CASH FLOW STATEMENT**

**AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31ST DECEMBER 1996**

**GROUP CASH FLOW STATEMENT**

	Note	1996 £'000	1995 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	1	2,129	2,436
<b>Returns on investments and servicing of finance</b>			
Interest received		176	118
Interest paid		(1,634)	(5,455)
Dividend paid		(501)	(26)
Dividend received		2,130	-
<b>NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		171	(5,363)
<b>Taxation</b>			
Corporation tax received/(paid)		51	(86)
<b>Investing activities</b>			
Repayment of loan to subsidiary	20	1,697	-
Payments to acquire tangible fixed assets		(4,082)	(1,136)
Payments to acquire investments		(461)	(104)
Receipts from sale of subsidiary companies		-	5,235
Receipts from sales of tangible fixed assets		4,157	2,479
Receipts from sales of investments		-	1
Loan to associated companies		(761)	(163)
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>		550	6,312
<b>NET CASH INFLOW BEFORE FINANCING</b>		2,901	3,299
<b>Financing</b>			
Purchase of preference share capital	4	(320)	-
Net loans drawn/(repaid)	4	419	(4,791)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2 & 3	3,000	(1,492)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

Group profit/(loss) for the year	2,269	(1,786)
Unrealised surplus on revaluation of fixed assets	700	-
Unrealised surplus on revaluation of investments	-	78
Currency translation differences on group company balances	56	17
<b>Total gains and losses recognised since last annual report</b>	<b>3,025</b>	<b>(1,691)</b>

**SUNLEY FAMILY LIMITED**

**NOTES TO THE GROUP CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31ST DECEMBER 1996**

	1996 £'000	1995 £'000	
<b>1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Operating profit	3,821	2,238	
Share of profit of associated companies	(590)	(449)	
Depreciation	122	209	
Exchange profit/(loss)	56	(12)	
(Increase)/decrease in stocks	(3,821)	5,960	
(Increase)/decrease in debtors	(460)	396	
Increase/(decrease) in creditors	3,001	(1,648)	
Transfer of properties from stock to tangible fixed assets	-	(3,865)	
Non-cash proceeds of sale of trading properties	-	(393)	
Net cash inflow from operating activities	<u>2,129</u>	<u>2,436</u>	
<b>2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>			
Balance at 1st January 1996	973	1,998	
Net cash inflow/(outflow)	3,000	(1,492)	
Net bank overdraft of subsidiaries disposed of during the year	-	467	
Balance at 31st December 1996	<u>3,973</u>	<u>973</u>	
<b>3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET</b>			
	1996 £'000	1995 £'000	Change in year £'000
Cash at bank and in hand	4,791	1,715	3,076
Bank overdraft	(818)	(742)	(76)
	<u>3,973</u>	<u>973</u>	<u>3,000</u>
<b>4. FINANCING</b>			
	1996 £'000	1995 £'000	Change in year £'000
Loans due within one year	8,800	4,697	4,103
Loans due after more than one year	12,836	16,520	(3,684)
	<u>21,636</u>	<u>21,217</u>	<u>419</u>

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31ST DECEMBER 1996**

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**1. ACCOUNTING POLICIES**

**(a) BASIS OF PREPARATION**

The financial statements are prepared on the historical cost basis modified for the revaluation of investment properties and except where noted below the financial statements are prepared in accordance with applicable accounting standards.

The consolidated financial statements comprise the financial statements of Sunley Family Limited and all of its subsidiary companies except as noted below made up to 31st December in each year. Subsidiary companies are accounted for from the effective dates of acquisition until the effective dates of disposal.

No separate profit and loss account is presented for Sunley Family Limited as provided by Section 230(4) of the Companies Act 1985.

**(b) TURNOVER**

Turnover represents the value of sales of property, income from house building, income from investment properties and the value of goods and services supplied to third parties in the year.

**(c) INVESTMENT PROPERTIES**

Material investment properties are externally valued at least once every five years. In the intervening years investment properties are valued by the group's Chartered Surveyors on the basis of open market value.

**(d) AMORTISATION AND DEPRECIATION**

**i) PROPERTIES**

In accordance with Statement of Standard Accounting Practice No. 19 no amortisation is provided on freehold and leasehold investment properties with over 20 years of the lease unexpired. The directors consider that this policy results in the financial statements giving a true and fair view. Amortisation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

**ii) OTHER TANGIBLE FIXED ASSETS**

Depreciation is provided to write off the cost of other tangible fixed assets in equal instalments over their estimated useful lives, which vary between 2 and 5 years.

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

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**(e) INVESTMENTS**

**i) GROUP**

The group's share of the results and net assets of associated companies is included in the consolidated financial statements under the equity method.

Other investments are included at cost or valuation.

**ii) COMPANY**

Investments in subsidiary companies, associated companies and other investments are stated at cost less provision for any permanent diminution in value.

Other investments are included at cost or valuation.

**(f) FINANCIAL CHARGES**

All financial charges including interest payable and arrangement fees are written off as incurred. No interest is capitalised.

**(g) STOCKS AND WORK IN PROGRESS**

Property held for development is stated at the lower of cost which includes costs directly associated with the acquisition and development of the project and net realisable value.

Properties for resale and other stocks and work in progress are stated at the lower of cost and net realisable value.

**(h) DEFERRED TAXATION**

Provision is made for deferred taxation, at expected rates of tax, for the effect of all material timing differences between profits for taxation purposes and profits as stated in the financial statements, to the extent that a liability is expected to arise in the foreseeable future.

**(i) FOREIGN CURRENCIES**

Profits and losses of the group's overseas operations are translated into sterling at the average rates of exchange for the year. Other assets and liabilities in foreign currencies are translated into sterling at the rates ruling on the balance sheet date.

Exchange differences arising from the retranslation of the opening net investment in companies preparing financial statements in foreign currencies are shown as a movement on reserves. Other exchange differences are included in arriving at profit on ordinary activities before taxation.

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

**(j) OPERATING LEASES**

Rents payable under operating leases are charged to the profit and loss account in the year in which they become due.

**(k) PENSIONS**

The group operates defined benefit and defined contribution schemes, the costs of which are provided in accordance with regular actuarial recommendations.

**2. BUSINESS SEGMENT ANALYSIS**

**(a) Turnover and Operating Profit**

	<b>1996</b>		<b>1995</b>	
	<b>Turnover</b>	<b>Operating Profit</b>	<b>Turnover</b>	<b>Operating Profit</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Continuing activities</b>				
Housebuilding	18,354	1,670	14,319	1,294
Industrial property activities	1,544	1,102	1,249	1,066
General property investment and other activities	4,622	1,049	4,999	(154)
	<u>24,520</u>	<u>3,821</u>	<u>20,567</u>	<u>2,206</u>
<b>Discontinued activities</b>				
Farming and estate management	-	-	261	32
	<u>24,520</u>	<u>3,821</u>	<u>20,828</u>	<u>2,238</u>

<b>(b) Assets distribution</b>	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
House building	8,048	6,958
Industrial property activities	10,915	6,867
General property investment and other activities	20,737	26,608
Gross trading assets	<u>39,700</u>	<u>40,433</u>
Deferred tax	-	(139)
	<u>39,700</u>	<u>40,294</u>
Net borrowings	(17,663)	(20,734)
	<u>22,037</u>	<u>19,560</u>

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

**2. BUSINESS SEGMENT ANALYSIS (continued)**

**(c) Geographical Analysis**

A geographical analysis has not been provided as third party turnover, operating profit and net assets relating to the activities outside the United Kingdom are not significant.

<b>(d) The group operating profit is stated after charging:</b>	<b>1996 £'000</b>	<b>1995 £'000</b>
Depreciation	122	209
Hire of plant and machinery - operating leases	16	11
Hire of other assets - operating leases	164	114
Directors' remuneration (Note 6)	366	240
Auditors' remuneration - Audit	65	70
- Other	72	98
	<u>          </u>	<u>          </u>

The exceptional credit of £775,000 included in administrative expenses relates to an award of professional costs, charged to the profit and loss account in previous years, following the successful outcome of legal action taken by a third party against a subsidiary company.

**3. NET BANK INTEREST PAYABLE**

Bank interest payable	1,588	2,056
Interest receivable	(176)	(118)
	<u>          </u>	<u>          </u>
	1,412	1,938
	<u>          </u>	<u>          </u>

**4. LOSS ON SALE AND WRITE DOWN OF FIXED ASSETS**

Write down of investment properties	-	1,650
Loss on sale of fixed assets and investment properties	529	468
Write down of other investments	-	2
	<u>          </u>	<u>          </u>
	529	2,120
	<u>          </u>	<u>          </u>

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

<b>5. EMPLOYEES</b>	<b>1996</b>	<b>1995</b>
	<b>£'000</b>	<b>£'000</b>
a) Staff costs:		
Wages and salaries	1,885	1,650
Social security costs	179	166
Other pension costs	99	94
	<u>2,163</u>	<u>1,910</u>
	<u>Number</u>	<u>Number</u>
b) Average number of employees	80	89
	<u>Number</u>	<u>Number</u>
<b>6. DIRECTORS' REMUNERATION</b>	<b>£'000</b>	<b>£'000</b>
Other emoluments	366	240
	<u>Number</u>	<u>Number</u>
In addition fees of £24,622 (1995: £24,348) were paid to a third party in respect of the services of the Chairman.		
The highest paid director received	118	107
	<u>Number</u>	<u>Number</u>
Other directors received:		
£110,001 - £115,000	1	2
£115,001 - £120,000	1	-
	<u>Number</u>	<u>Number</u>
<b>7. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>£'000</b>	<b>£'000</b>
The (charge)/credit for taxation on the loss on ordinary activities represents:		
UK Corporation tax at 33%	(407)	(108)
Deferred taxation	139	100
Share of tax of associated companies	(130)	(229)
Underprovision in previous years	(3)	366
	<u>(401)</u>	<u>129</u>
<b>8. DIVIDENDS</b>		
Dividends paid on non equity shares		
30th June 1996	13	13
21st October 1996	7	13
	<u>20</u>	<u>26</u>
Proposed dividends payable on equity shares	458	-

SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 1996

9. TANGIBLE FIXED ASSETS

(a) GROUP	Investment Properties £'000	Other £'000	Total £'000
<b>COST OR VALUATION</b>			
At 1st January 1996	23,581	334	23,915
Additions	3,592	490	4,082
Revaluation	-	700	700
Disposals	(4,739)	(173)	(4,912)
Exchange difference	(24)	-	(24)
Reclassification	(391)	566	175
At 31st December 1996	22,019	1,917	23,936
<b>DEPRECIATION</b>			
At 1st January 1996	777	51	828
Charge for the year	11	111	122
Eliminated on disposal	(53)	(173)	(226)
Reclassification	(391)	566	175
At 31st December 1996	344	555	899
<b>BOOK VALUE</b>			
At 31st December 1996			
Unamortised cost or valuation	21,675	1,362	23,037
At 31st December 1995			
Unamortised cost or valuation	22,804	283	23,087

The net book value of investment properties at 31st December 1996 comprised the following:

Freehold	21,609
Short leasehold	66
	21,675

(b) COMPANY

VALUATION

	Investment Properties £'000
At 1st January 1996	-
Transfer from group company	1,911
Permanent diminution in value	(1,100)
At 31st December 1996	811



**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

10. INVESTMENTS	1996		1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Subsidiary companies (note 10(a))	-	18,536	-	18,536
Other investments (note 10(b))	4,536	613	4,984	332
	<u>4,536</u>	<u>19,149</u>	<u>4,984</u>	<u>18,868</u>

**(a) SUBSIDIARY COMPANIES**

A list of principal subsidiaries at 31st December 1996 is given on page 22.

b) i) OTHER INVESTMENTS GROUP	Shares in Associated Companies £'000	Loans to Associated Companies £'000	Other Investments £'000	Total £'000
	COST OR BOOK VALUE			
At 1st January 1996	3,888	452	644	4,984
Additions	107	-	354	461
Share of profit of associated companies	432	158	-	590
Share of tax of associated companies	(100)	(30)	-	(130)
Loan to associated companies	-	761	-	761
Dividend received	(2,130)	-	-	(2,130)
At 31st December 1996	<u>2,197</u>	<u>1,341</u>	<u>998</u>	<u>4,536</u>

A subsidiary owns 50% of the issued ordinary share capital of CINIO Limited, comprising all the 'A' Ordinary shares of £1 each. CINIO Limited is engaged in property trading.

Another subsidiary owns 33.5% of the issued ordinary share capital of Landmark Projects Limited, which is engaged in retail property development.

At 31st December 1996 the group owned 30.7% of the issued ordinary share capital of World Telecom PLC, which is engaged in the provision of telecommunication services. Further details regarding World Telecom PLC are given in note 25(a).

During the year a subsidiary purchased 50% of the issued ordinary share capital of Stengrain Limited, which is engaged in property investment, and 50% of the issued ordinary share capital of Barley Showhomes Limited. Further details regarding Barley Showhomes Limited are given in note 24.

All of the above are regarded as associated companies and have been accounted for under the equity method in the consolidated financial statements.

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

**10. INVESTMENTS (continued)**  
**(b)(i) OTHER INVESTMENTS**  
**GROUP (continued)**

An abbreviated profit and loss account of CINIO Limited is shown below.

	1996 £'000	1995 £'000
Turnover	8,558	5,998
Profit on ordinary activities before taxation	1,138	1,291
Taxation	201	428
Retained profit for the year	937	863
Share of profit after tax included in these financial statements	469	432
Share of loss after tax of other associated companies	(9)	(212)
	460	220

**(ii) COMPANY**

	Shares in Associated Companies £'000	Other Investments £'000	Total £'000
<b>COST OR BOOK VALUE</b>			
At 1st January 1996	208	124	332
Additions	107	287	394
Disposals	(113)	-	(113)
At 31st December 1996	202	411	613

**11. STOCKS AND WORK IN PROGRESS**

	Group	Group
	1996 £'000	1995 £'000
Property held for development	11,938	9,167
Properties for resale	6,667	5,539
Other stocks and work in progress	37	115
	18,642	14,821

**12. DEBTORS**

	Group	Group	Company	Company
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Due within one year:				
Trade debtors	960	631	-	-
Amounts owed by subsidiary companies	-	682	1,609	3,250
Other debtors	129	252	2	59
Prepayments and accrued income	1,037	750	-	-
Advance corporation tax recoverable	-	500	-	-
Tax recoverable	31	-	64	-
	2,157	2,815	1,675	3,309

SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 1996

13. LOANS AND BANK OVERDRAFTS

	1996 £'000	Group 1995 £'000
Bank overdrafts:		
Secured	813	742
Unsecured	5	-
	<u>818</u>	<u>742</u>
Loans repayable within one year (Note 15)	8,800	4,697
	<u>9,618</u>	<u>5,439</u>

The secured bank overdrafts are secured on certain parts of group occupied properties and stocks and work in progress.

14. CREDITORS

	1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
(a) Amounts falling due within one year:				
Trade creditors	5,529	2,478	-	-
Amounts owed to group companies	-	-	2,683	2,542
U.K. Corporation tax	460	468	-	-
Other creditors	351	366	43	-
Accruals and deferred income	953	1,050	100	57
Dividends	458	-	458	-
	<u>7,751</u>	<u>4,362</u>	<u>3,284</u>	<u>2,599</u>
(b) Amounts falling due after more than one year:				
Payments received in advance	921	921	-	-
Dividends	-	481	-	-
	<u>921</u>	<u>1,402</u>	<u>-</u>	<u>-</u>

During 1994 the Group launched Sunley Secure II PLC, a Business Expansion Scheme company to provide assured tenancy housing. A total of £940,000 net of expenses, was subscribed and a major portion of this amount was used to purchase properties at market value from Sunley Estates PLC, a group company. The company has given a guarantee that there will be sufficient cash resources available for distribution from the BES Company in 1999 to provide the BES investors with a guaranteed return per share. As the guarantee is in place the sale of the properties to the BES Company has not been recognised in these financial statements. The properties are included in investment properties at their open market valuation of £921,000. The sale proceeds of £921,000 are held in creditors due after more than one year and the profit attributable to the properties of £250,000 has not been recognised in these financial statements.

SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 1996

15.	LOANS	1996 £'000	1995 £'000
	<b>GROUP</b>		
	Secured on part of stocks and work in progress and certain tangible fixed assets:		
	Loans wholly repayable within five years	18,268	18,517
	Loans not wholly repayable within five years	3,368	2,700
		<u>21,636</u>	<u>21,217</u>
	Aggregate amount repayable within one year (Note 13)	(8,800)	(4,697)
		<u>12,836</u>	<u>16,520</u>
	Amounts falling due:		
	After five years	2,873	2,100
	Between two and five years	5,496	10,389
	Between one and two years	4,467	4,031
		<u>12,836</u>	<u>16,520</u>
	Within one year	8,800	4,697
		<u>21,636</u>	<u>21,217</u>

The Group has a loan facility of £3,368,000 which is not wholly repayable within five years. The two loans are repayable in instalments totalling £170,000 per annum and £1,500,000 and £300,000 on maturity in 2005 and 2006 respectively. The rate of interest is 1.65% above LIBOR.

Fixed and floating charges over the assets of certain subsidiaries have been granted in respect of borrowings.

Most of the Group's debt facilities have been extended on more favourable terms and professional advisers are retained to advise on an overall group hedging strategy.

16.	DEFERRED TAXATION AMOUNTS PROVIDED	Group £'000
	At 1st January 1996	139
	Released to profit and loss account	(139)
	At 31st December 1996	<u>-</u>

There is no potential liability for deferred tax on the revaluation of tangible fixed assets due to the availability of capital losses in a group company.

SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST DECEMBER 1996

17. CALLED UP SHARE CAPITAL

(a)	AUTHORISED	1996		1995	
		Number	£'000	Number	£'000
	Ordinary shares of 10p each	12,500,000	1,250	12,500,000	1,250
	8% Cumulative preference shares of £1 each	-	-	320,000	320
			<u>1,250</u>		<u>1,570</u>
<b>(b) ALLOTTED, ISSUED AND FULLY PAID</b>					
	Ordinary shares of 10p each	234,786	23	234,786	23
	8% Cumulative preference shares of £1 each	-	-	320,000	320
			<u>23</u>		<u>343</u>

(c) RIGHTS TO NON EQUITY SHARES

On 21st October 1996 the 8% cumulative preference shares were purchased by the company and cancelled. An appropriation of £320,000 has been made from the profit and loss account to the capital maintenance reserve.

18. RESERVES

a)	GROUP	Share premium account £'000	Revaluation reserve £'000	Capital maintenance reserve £'000	Profit and loss account £'000
	At 1st January 1996	11,289	527	-	(9,364)
	Realisation of revaluation surplus	-	(57)	-	57
	Profit for year	-	-	-	1,791
	Exchange adjustments	-	-	-	56
	Revaluation of lease	-	700	-	-
	Appropriation to capital maintenance reserve	-	-	320	(320)
	Minority interest	-	(67)	-	-
	At 31st December 1996	<u>11,289</u>	<u>1,103</u>	<u>320</u>	<u>(7,780)</u>

The group profit and loss account at 31st December 1996 includes £1,924,000 (1995: £1,464,000) retained by associated companies.

b)	COMPANY	Capital maintenance reserve £'000	Share premium account £'000	Profit and loss account £'000
	At 1st January 1996	-	11,289	8,238
	Retained loss for the year	-	-	(627)
	Appropriation to capital maintenance reserve	320	-	(320)
	At 31st December 1996	<u>320</u>	<u>11,289</u>	<u>7,291</u>

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

<b>19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>	<b>1996 £'000</b>	<b>1995 £'000</b>
Profit/(loss) for the financial year	2,269	(1,786)
Dividends	(478)	(26)
Other recognised gains and losses relating to the year (net)	756	95
Redemption of preference share capital	(320)	-
Minority interest in revaluation reserve	(67)	-
Net addition/(reduction) in shareholders' funds	<u>2,160</u>	<u>(1,717)</u>
Opening shareholders' funds	19,456	21,173
Closing shareholders' funds	<u>21,616</u>	<u>19,456</u>

**20. REPAYMENT OF LOANS TO SUBSIDIARY COMPANY PREVIOUSLY PROVIDED AGAINST**

In 1993 the company acquired from a wholly owned subsidiary at book value the whole of the outstanding common stock of Lake Nona Corporation (LNC) (a US corporation incorporated in Florida). In addition the company acquired at book value certain advances made by that wholly owned subsidiary to LNC. The financial statements of LNC were not included in the consolidated financial statements and the investment in and amounts due from LNC had been fully provided against.

On 6th March 1996 LNC disposed of the majority of its business and as a result certain amounts of the advances were repaid.

	<b>£'000</b>
Amount received	1,697
Less advances outstanding not previously provided against	(649)
	<u>1,048</u>

**21. CONTINGENT LIABILITIES, GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

A subsidiary, Sunley Holdings PLC, has given guarantees to Sunley Secure PLC and Sunley Secure II PLC in connection with the values of those companies in 1998. The directors are confident that no significant liabilities will arise under those guarantees. Sunley Secure PLC and Sunley Secure II PLC are owned independently, are engaged in letting property under assured tenancies and were set up under the provisions of the Business Expansion Scheme.

**22. PENSIONS**

**a) Defined Benefit Scheme**

In October 1995 the group introduced a new contributory pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Contributions to the scheme by the company are charged to the profit and loss account so as to spread the cost of pensions 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.

The pension charge for the year was £43,000 (1995: £14,000).

**(b) Defined Contribution Scheme**

The group operates a Group Personal Pension Scheme (money purchase). The assets of the scheme are held independently from those of the Group, being invested with insurance companies. The Scheme can be terminated at anytime with no further committed sums other than those paid in the year.

The pension charge for the year was £55,000 (1995: £56,000).

**SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**YEAR ENDED 31ST DECEMBER 1996**

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**23. RELATED PARTY TRANSACTIONS**

- i) A management agreement exists between a subsidiary company, Industrial Ownership PLC ("IO PLC") and IO Group ("IOG"), or its wholly owned subsidiaries, under which IO PLC paid IOG £183,333 during the year. The agreement continues until 30th April 1998.
- ii) A subsidiary company, John B Sunley & Sons Limited has a 15% interest in the ordinary share capital of IOG. IOG is treated as a trade investment in the group financial statements. J.R. Sims and R.J.S. Tice, directors of Sunley Holdings PLC, are also directors of IOG. J.R. Sims owns 50.1% of the ordinary share capital of that company. R.J.S. Tice has no interest in the share capital of IOG. IOG manages three industrial estates for the parent company.
- iii) A subsidiary company paid fees of £15,000 during the year to Tisun Properties Limited, a company in which R.J.S. Tice is interested, for the provision of management services.

**24. BARLEY SHOWHOMES LIMITED**

Barley Showhomes Limited is a joint venture company financed by the Sunley Holdings Group and Barclays Bank PLC and owned equally by both parties. Barley Showhomes Limited purchases showhouse properties from a Group company and charges a licence fee to that Group company for the use of the properties. At 31st December 1996 the amounts owing to the Sunley Holdings Group and Barclays Bank PLC in respect of these properties was £253,726 and £1,437,779 respectively. In addition £20,770 was owed by Barley Showhomes Limited to the Sunley Holdings Group in respect of a working capital facility.

During the year ended 31st December 1996 the Group sold 13 properties to the joint venture for £1,691,505 and at 31st December 1996 Barley Showhomes held properties at a value of £1,691,505.

**25. POST BALANCE SHEET DATE EVENTS**

- (a) On 27th March 1997 the whole of the issued share capital of World Telecom PLC, an associated company at 31st December 1996, was admitted to the Alternative Investment Market by way of a placing. The group disposed of approximately 25% of its holding in World Telecom PLC in the placing realising £1.5 million. The group now owns shares in World Telecom PLC representing 17.95% of the enlarged issued share capital. The carrying value of the group's investment in World Telecom PLC in these accounts is insignificant.
- (b) On 21st February 1997 a subsidiary disposed of an investment property having a carrying value at 31st December 1996 of £4.4 million.

# SUNLEY FAMILY LIMITED AND ITS SUBSIDIARY COMPANIES

## GROUP COMPANIES

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The following is a list of the principal subsidiary and associated companies of Sunley Family Limited at 31st December 1996 which were wholly owned at that date except where otherwise indicated.

Group companies not owned directly by Sunley Family Limited are indicated by an asterisk.

		Country of Registration and Operation
<b>HOUSEBUILDING</b>		
* Sunley Estates PLC		England
<b>PROPERTY INVESTMENT AND DEVELOPMENT</b>		
Sunley Holdings PLC		England
* Sunley Investments Limited		England
* Sunley London Limited		
Ordinary shares of £1 each	75%	England
* Industrial Ownership PLC		England
Ordinary shares of £1 each	75%	
Preferred ordinary shares of £1 each	100%	
* CINIO Ltd. (50% owned by Industrial Ownership PLC)		England
Bernard & Mary Sunley Limited		England
* Landmark Projects Limited		
Ordinary shares of £1 each	33.5%	England
Lake Nona Corporation		U.S.A.
<b>OTHER ACTIVITIES</b>		
Sunley World of Golf Limited		
Ordinary shares of £1 each	75%	England
World Telecom PLC		
Ordinary shares of £1 each	30.7%	England