Brookhouse Properties Limited

(formerly Doubletable Limited)
and subsidiary undertakings

Accounts 24 September 1997
together with directors' and auditors' reports

Registered number 3253375

Directors' report
For the year ended 24 September 1997

The directors present their report for the year ended 24 September 1997, together with the group accounts and auditors' report.

Directors' responsibilities
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year. In preparing those accounts, the directors are required to:

* select suitable accounting policies and 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 accounts; and
* prepare the accounts 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and business review
The principal activities of the group are property development, investment, construction and financial services. These activities were the activities of the Brookhouse Group which was acquired on 6 January 1997.

The company was incorporated on 23 September 1996 as Doubletable Limited. On 30 September 1997, the name of the company was changed to Brookhouse Properties Limited.

Following the acquisition by Brookhouse Properties Limited (formerly Doubletable Limited) of the entire share capital of Brookhouse Group Limited, Brookhouse Properties Limited is now the parent company. Accordingly, no comparative figures for 1996 have been published in these group accounts. The profit for the financial year ended 24 September 1997 reflects only nine months trading since the acquisition of the Brookhouse Group.

Results and dividends
The results for the year together with the movement on distributable reserves were as follows:

	£
Retained profit for the financial year (nine months trading only)	2,579,290
Goodwill written off on acquisition	(90,817)
Profit and loss account, end of year	2,488,473

The directors do not recommend payment of a dividend.

Directors and directors' interest
The directors of the company during the year were:

J. Hindle, Jnr.	(Chairman)	(appointed 6 January 1997)
A. D. Rowles		(appointed 6 January 1997)
M. H. Kershaw		(appointed 6 January 1997)

The directors have no interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Auditors
The directors will place a resolution before the Annual General Meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

By order of the Board

G. Batt.

G. Battersby

Secretary

Russell House
94/96 Chapel Road
Sale
Cheshire
M33 7DX

18 February 1998

Auditors' report

To the Shareholders of Brookhouse Properties Limited:
We have audited the accounts on pages 5 to 26 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 10 to 12.

Respective responsibilities of directors and auditors
As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

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

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 24 September 1997 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

18 February 1998

Consolidated profit and loss account

For the year ended 24 September 1997

	Note	Year ended 24 September 1997 (Note 1a) £
Property and investment income	2	2,904,676
Other operating expenses	3	(357,859)
Operating profit		2,546,817
Share of associates' operating loss		(25,207)
Profit on sale of tangible fixed assets		1,859,000
Interest payable and similar charges	4	(1,148,139)
Profit on ordinary activities before taxation	5	3,232,471
Tax on profit on ordinary activities	7	(664,500)
Profit on ordinary activities after taxation		2,567,971
Minority interests	18	11,319
Retained profit for the financial year	16	2,579,290

A statement of movements on reserves is given in note 16. All activity has arisen from acquired operations.

The accompanying notes are an integral part of these accounts.

Statement of total consolidated recognised gains and losses
For the year ended 24 September 1997

	Year ended 24 September 1997 (Note 1a) £
Profit for the financial year	2,579,290
Unrealised surplus on revaluation of investment properties	8,475,668
Total recognised gains and losses relating to the year	11,054,958

Statement of total company recognised gains and losses
For the year ended 24 September 1997

	Year ended 24 September 1997 (Note 1a) £
Unrealised surplus on revaluation of investment in subsidiary undertakings	11,054,958
Total recognised gains and losses relating to the year	11,054,958

Consolidated balance sheet

24 September 1997

	Notes	24 September 1997 £
Fixed assets		
Intangible assets	8	187,696
Tangible assets	9	46,639,893
		46,827,589
Current assets		
Called-up share capital not yet paid		2
Land and work-in-progress		14,441,101
Debtors	11	1,527,082
Cash at bank and in hand		288
		15,968,473
Creditors: Amounts falling due within one year	12	(18,565,082)
Net current liabilities		(2,596,609)
Total assets less current liabilities		44,230,980
Creditors: Amounts failling due after more than one year	13	(12,345,324)
Net assets		31,885,656
Capital and reserves		
Called-up share capital	15	218
Reserves	16	30,898,370
Equity shareholders' funds		30,898,588
Minority Interests	18	987,068
		31,885,656

Signed on behalf of the Board

J. Hindle, Jnr — Director

A. D. Rowles — Director

18 February 1998

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet
24 September 1997

	Notes	24 September 1997 £
Fixed assets		
Investments	10	14,111,729
Current assets		
Called-up share capital not yet paid		2
Creditors: Amounts falling due within one year	12	(3,056,555)
Net current liabilities		(3,056,553)
Net assets		11,055,176
Capital and reserves		
Called-up share capital	15	218
Reserves	16	11,054,958
Equity shareholders' funds		11,055,176

Signed on behalf of the Board

J. Hindle, Jnr Director

A. D. Rowles Director

18th February 1998

The accompanying notes are an integral part of this balance sheet

Consolidated cash flow statement

For the year ended 24 September 1997

	Notes	Year ended 24 September 1997 (Note 1a) £
Cash flow from operating activities	19a	(5,997,516)
Returns on investments and servicing of finance	19b	(1,010,862)
Taxation		-
Capital expenditure and financial investment	19b	(3,023,042)
Acquisitions	19b	(5,362,879)
Cash outflow before financing		(9,348,215)
Financing		
- issue of shares		-
- decrease in debt	19b	(736,236)
Decrease in cash in the year		(10,084,451)

Reconciliation of net cash flow to movement in net debt (note 19c)

Decrease in cash in the year	(10,084,451)
Cash outflow from decrease in debt	736,236
Change in net debt resulting from cash flows	(9,348,215)
Loans acquired with subsidiary undertakings	(16,136,000)
Movement in net debt in the period	(25,484,215)
Net debt, beginning of year	-
Net debt, end of year	(25,484,215)

The accompanying notes are an integral part of this cash flow statement.

Notes to accounts

24 September 1997

1 Accounting policies

A summary of the principal group accounting policies is set out below, all of which have been applied consistently throughout the year.

a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards. Assets and liabilities are recognised in the accounts where, as a result of past transactions or events, the group has rights or other access to future economic benefits controlled by the group or obligations to transfer economic benefits.

The group commenced operations in its current form on 6 January 1997 and therefore the results for the year represent only nine months trading.

b) Basis of consolidation

The group accounts consolidate the accounts of Brookhouse Properties Limited and all its subsidiary undertakings made up to 24 September 1997. The results of subsidiary undertakings acquired or sold in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is written-off against distributable reserves on acquisition.

No profit and loss account is presented for Brookhouse Properties Limited as provided by section 230 of the Companies Act 1985. The company's profit for the year determined in accordance with the Act was £Nil.

c) Investment in subsidiary undertakings

In the company's accounts, investments in subsidiary undertakings are stated at cost plus the group's share of the post-acquisition retained profits and reserves less losses of the subsidiary undertakings, with a corresponding credit to revaluation reserve. The directors consider that this policy fairly reflects the company's investments. Only dividends received and receivable are credited to the company's profit and loss account.

Where applicable, advantage is taken of Sections 131-134 of the Companies Act 1995 ("merger relief") in stating the cost of investment in the company's accounts at the nominal value of the shares issued by the company to purchase shares in a subsidiary undertaking plus the fair value of other consideration. The resulting difference arising on consolidation is written-off to reserves.

d) Intangible fixed assets

Intangible fixed assets are shown at cost, less amounts written-off. Income is included in the accounts for the period in which it is receivable.

e) Investment properties

A valuation of investment properties is made annually as at the balance sheet date by the directors at open market value. Changes in the market value of investment properties are accounted for by way of a movement in revaluation reserve and are included in the statement of total recognised gains and losses unless a deficit (or its reversal) on an individual investment property is expected by the directors to be permanent, in which case the change in market value is charged (credited) to the profit and loss account. On disposal, the cumulative revaluation surpluses or deficits are transferred from the revaluation reserve to the profit and loss account.
Additions to investment properties under development comprise construction costs excluding attributable interest incurred in bringing a project to its present state of completion.

Notes to accounts (continued)

1 Accounting policies (continued)

e) Investment properties (continued)

In accordance with SSAP 19 no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the period would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified, becuase of the lack of analysis of the cost/value as between land and buildings.

f) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write-off the cost of the assets over their estimated useful lives, on a straight-line basis, at the following annual rates:

Freehold buildings	2%
Office equipment, plant and motor vehicles	25%

g) Investment in associated undertakings and joint ventures

Undertakings in which the group has an interest comprising not less than 20% of the voting capital and over which it exerts significant influence are treated as associated undertakings.

In the company's accounts, investments in associated undertakings are stated at cost, less amounts written-off, plus the company's share of post-acquisition retained profits and reserves with a corresponding credit to the profit and loss account.

In the group accounts, investments in associated undertakings are accounted for by the equity method, whereby the original cost of the investment is adjusted for the movement in applicable underlying net assets since the date of acquisition with a corresponding credit to the profit and loss account.

Joint ventures which are not subsidiaries, associated undertakings or bodies corporate, are dealt with in the group accounts by the method of proportional consolidation. Accordingly, the group's share of joint venture assets, liabilities, income and expenditure is included in the appropriate captions in the consolidated profit and loss account and balance sheet.

h) Land and work-in-progress

Land and work-in-progress are stated at the lower of cost and net realisable value. Cost includes a proportion of direct operating expenses where appropriate. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred in completion and disposal.

Notes to accounts (continued)

1 Accounting policies (continued)

i) Taxation

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings.

Deferred taxation, arising primarily from timing differences between capital allowances and book depreciation, has been calculated on the liability method, Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

j) Pension costs and other post retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

k) Turnover

Turnover represents rents and service charges for the year excluding VAT.

2 Property and investment income

	Year ended 24 September 1997 (Note 1a) £
Rental income and interest receivable	2,524,094
Gains on sales of intangible fixed assets	18,397
Profit on construction and contracting	362,185
	2,904,676

3 Other operating expenses

	Year ended 24 September 1997 (Note 1a) £
Administrative expenses	357,859

Notes to accounts (continued)

4 Interest payable and similar charges

	Year ended 24 September 1997 (Note 1a) £
On bank loans and overdrafts, and other loans	
- repayable within five years, not by instalments	688,883
- repayable after five years, not by instalments	459,256
	1,148,139

5 Profit on ordinary activities before taxation

	Year ended 24 September 1997 (Note 1a) £
Profit on ordinary activities before taxation is stated after charging:	
Depreciation	34,477
Auditors' remuneration	11,000
Staff costs (see note 6)	383,274

In addition, auditors' remuneration in respect of non-audit services was £89,403.

6 Staff costs

Employee costs during the period amounted to:

	Year ended 24 September 1997 (Note 1a) £
Wages and salaries	293,314
Social security costs	32,997
Other pension costs	56,963
	383,274

The group had an average number of employees during the year of 17

Directors' remuneration in respect of directors of the group was as follows:

	Year ended 24 September 1997 (Note 1a) £
Emoluments	195,518
Contributions to money purchase pension scheme	55,221
	250,739

Notes to accounts (continued)

6 Staff costs (continued)

The directors' remuneration shown above (excluding pension contributions) included:

		Year ended 24 September 1997 (Note 1a) £
Highest paid director	- Emoluments	133,982
	- Contributions to money purchase pension scheme	55,221
		189,203

The number of directors who were members of pension schemes was as follows:

	Year ended 24 September 1997 (Note 1a)
Money purchase schemes	1
Defined benefit schems	-
	1

7 Tax on profit on ordinary activities

The tax charge comprises:

	Year ended 24 September 1997 (Note 1a) £
Corporation tax on the profit for the period at 32%	626,250
Deferred taxation	38,250
	664,500

The current year tax charge has been reduced by the utilisation of losses and allowances against chargeable gains.

Notes to accounts (continued)

8 Intangible fixed assets

The movement on intangible fixed assets was:

Group	Chief and ground rents £	Equity mortgages £	Total £
Beginning of year	-	-	-
Acquisition of subsidiary undertakings	192,025	175	192,200
Disposals	(4,500)	(4)	(4,504)
End of year	187,525	171	187,696

9 Tangible fixed assets

The movement on tangible fixed assets was:

	Land and buildings			
Group	Freehold £	Investment properties £	Plant and motor vehicles £	Total £
Cost or valuation				
Beginning of year	-	-	-	-
Acquisition of subsidiary undertakings	501,469	38,854,943	763,897	40,120,309
Additions	-	574,651	49,615	624,266
Revaluation	-	8,475,668	-	8,475,668
Disposals	(501,469)	(1,335,283)	(49,308)	(1,886,060)
End of year	-	46,569,979	764,204	47,334,183
Depreciation				
Beginning of year	-	-	-	-
Acquisition of subsidiary undertakings	81,465	-	699,001	780,466
Charge	-	-	34,477	34,477
Disposals	(81,465)	-	(39,188)	(120,653)
End of year	-	-	694,290	694,290
Net book value				
Beginning of year	-	-	-	-
End of year	-	46,569,979	69,914	46,639,893

9 Tangible fixed assets (continued)

Investments properties were revalued at 24 September 1997 by the directors at open market existing use basis. If these assets had not been revalued they would have been included at the following amounts:

	Group
	£
Freehold investment properties	38,094,311

Certain investment properties and land and buildings are charged to secure the group bank loans and overdrafts

10 Fixed asset investments

a) Investments comprise:

	Company
	£
Investment in subsidiary undertakings	14,111,729

b) The movement on the investment in subsidiary undertakings was as follows:

	Company
	£
Beginning of year	-
Investment in subsidiary undertaking	3,056,771
Increase in share of underlying net assets of subsidiary undertaking	11,054,958
End of year	14,111,729

Notes to accounts (continued)

10 Fixed asset invesments (continued)

c) Purchase of subsidiary undertakings: Brookhouse Group
On 6 January 1997, the company acquired 309 ordinary shares of Brookhouse Group Limited, being 100% of its nominal share capital, for consideration comprising the issue of 216 ordinary shares of £1 each in the company and £3,056,555 cash consideration. The fair value of the total consideration was £22,991,000. In accordance with Section 131 and 133 of the Companies Act 1985 the company has taken no account of any premium on the shares and has recorded the cost of investment at the nominal value of the shares issued plus the fair value of the other consideration. The resulting difference arising on consolidation has been written-off to reserves.

The following table sets out the book values of the identifiable assets and liabilities acquired and the fair values to the group.

	Book and fair value to group £
Fixed assets	
Intangible assets	192,200
Tangible assets	39,339,843
Investments	331,968
	39,864,011
Current assets	
Land and work-in-progress	2,488,000
Debtors	1,714,224
Cash at hand	765
	4,202,989
Total assets	44,067,000
Creditors:	
Bank overdraft	(2,271,000)
Bank and other loans	(14,736,000)
Other creditors	(3,847,500)
Taxation	(221,500)
Net assets acquired	22,991,000
Difference	19,934,229
Satisfied by:	
Shares issued	216
Cash consideration	3,056,555
	22,991,000

Notes to accounts (continued)

10 Fixed asset investments (continued)

The Brookhouse Group made a profit for the financial period of £1,011,921 from the end of its last financial year (24 September 1996) and the date of acquisition of 6 January 1997. The Brookhouse Group made a profit of £3,451,177 in the financial year ended 24 September 1996.
The net cash flow on purchase of the subsidiary undertakings was as follows:

	£
Cash consideration	(3,056,555)
Cash acquired	765
Overdraft acquired	(2,271,000)
Net cash outflow on acquisition of subsidiary undertakings	(5,326,790)

The acquired subsidiaries made the following contributions to the cash flows of the group in the post acquisition period.

	Inflow (outflow) £
Operating cash flow	(5,640,480)
Returns on investments and servicing of finance	(883,142)
Taxation	-
Capital expenditure and financial investment	3,004,645
Financing	(1,306,400)
Net cash flow	(4,825,377)

d) On 14 March 1997 the group acquired a further £164 shares for cash consideration in Hiretarget Limited. From the 14 March 1997 Hiretarget Limited is considered a subsidiary undertaking having previously been accounted for as an associated undertaking.
The following table sets out the book values of the identifiable assets and liabilities acquired and the fair values to the group.

	Book and fair value to group £
Current assets	
Land and work-in-progress	1,785,631
Debtors	585,479
Taxation	-
Total assets	2,371,110
Creditors	
Bank overdraft	(36,089)
Bank loans	(1,400,000)
Trade and other creditors	(274,790)
	(1,710,879
Net assets	660,231
Less preference shares	(953,190)
Equity interest at date of acquisition	(292,959)
31% of net liabilities acquired	(90,817)
81% ordinary shares held	214
	90,603
Cost of investment - represented by shares issued	214
Goodwill arising	90,817

Notes to accounts (continued)

10 Fixed asset investments (continued)

At the date of acquisition, a minority interest in Hiretarget Limited arises as set out below:

	£
Preference shares	500,000
Ordinary shares	50
Share of reserves held by equity interest at date of acquisition	(55,663)
	444,387

The net cash flow on the purchase of Hiretarget Limited was an outflow of £36,089 representing the bank overdraft acquired.

The acquired subsidiary made the following contributions to the cash flow of the group:

	Inflow (outflow) £
Operating cash flow	(338,639)
Returns on investments and servicing of finance	(127,720)
Taxation	-
Capital expenditure and financial investment	-
Financing	570,164
Net cash flow	103,805

Hiretarget Limited made a loss for the financial period of £50,412 from the end of its last financial year (24 September 1996) and the date of acquisition of 14 March 1997.

Notes to accounts (continued)

10 Fixed asset investments (continued)

e) The company's subsidiary undertakings, all unlisted, wholly-owned with the exception of Hiretarget Limited which is an 81% subsidiary undertaking and registered in England and Wales are as follows:

Direct	Principal Activity
Brookhouse Group Limited	Investment and property letting
Indirect	
Brookhouse Builders Limited	Property dealing and construction
Doubletable Limited	Dormant
Brookhouse Property Investments Limited	Dormant
Tolpaper Limited	Dormant
Greenland Passage Limited	Investment and property letting
Hiretarget Limited	Investment and property letting
Brookhouse Estates Limited	Investment and property letting
Brookhouse Homes Limited	Dormant

f) The group owns a third share in Brentmen Limited, an associated undertaking. The group's share of the net assets of the associated undertaking is £Nil as at 24 September 1997.

11 Debtors

	Group 1997 £
Amounts falling due within one year:	
Rent receivable and other debtors	1,417,615
Deferred tax asset (note 14)	109,467
	1,527,082

12 Creditors: Amounts falling due within one year

	Group 1997 £	Company 1997 £
Bank loans and overdrafts (note 13)	12,200,195	-
Loans from directors	57,037	-
Other loans	1,000,000	-
Other creditors	306,475	-
Amounts due to subsidiary undertakings	-	3,056,555
Corporation tax	835,000	-
VAT	46,445	-
Accurals and deferred income	4,119,930	-
	18,565,082	3,056,555

Notes to accounts (continued)

13 Creditors: Amounts falling due after more than one year	Group 1997 £
Bank loans	10,727,271
Loans from directors	1,500,000
Other creditors	118,053
	12,345,324

Borrowings are analysed as follows:

	Group 1997 £
Not wholly payable within five years:	
Not by instalments	
- bank loans	10,145,456
Wholly repayable within five years	
- bank loans and overdrafts	12,782,010
- loans from directors	1,557,037
- other loans	1,000,000
Not by instalments	15,339,047
Total borrowings	25,484,503

Total bank borrowings, directors' and shareholders' loans are payable as follows:

	Group 1997 £
Amounts payable	
- on demand or within one year	13,257,732
- between one and two years	1,644,947
- between two and five years	436,368
- after five years	10,145,456
	25,484,503

Notes to accounts (continued)

13 Creditors: Amounts falling due after more than one year (continued)

The bank loan and overdraft facilities are secured by first legal charges on specific properties acquired by these funds. There are group cross-company guarantees relating to these facilities. £10,000,000 of the bank loans are repayable on 29 September 2003 and interest is charged at a variable rate of up to 1.75% over the interbank rate.

14 Deferred taxation

a) Deferred taxation is recognised as follows:-

	Group 1997 £
Other timing differences	93,467
Accelerated depreciation in excess of capital allowances	16,000
	109,467

The deferred taxation asset is recognised within debtors.

b) The movement on the deferred tax asset recognised during the year was as follows:

	Group 1997 £
On acquisition of subsidiary undertaking	147,717
Debited to profit and loss account in respect of:	
- accelerated depreciation in excess of capital allowances	(1,500)
- other timing differences	(36,750)
End of year	109,467

Notes to accounts (continued)

14 Deferred taxation (continued)
c) No unprovided deferred tax arises except for deferred tax relating to the revaluation of investment properties. This has not been provided for since it is not the intention of the group to dispose of these properties in the foreseeable future. The amount of such deferred tax is £4,852,000.

15 Called-up share capital

	1997
	£
Authorised	
1,000 ordinary shares of £1 each	1,000
Issued and fully-paid	
216 ordinary shares of £1 each	216
Issued and not fully paid	
2 ordinary shares of £1 each	2
	218

On the incorporation of the company at 23 September 1996, 2 ordinary shares of £1 each were issued at par.

On 6 January 1997, 216 ordinary shares of £1 each were issued to acquire the shares of Brookhouse Group Limited.

16 Reserves
Of total reserves shown in the company's balance sheet, the following amounts are regarded as distributable or otherwise:

	Company 1997
	£
Distributable	
- profit and loss	-
Non-distributable	
- revaluation reserve	11,054,958
	11,054,958

Notes to accounts (continued)

16 Reserves (continued)

The movement on reserves during the year was:

Group	Profit and loss £	Merger reserve £	Revaluation reserve £
Beginning of year	-	-	-
Acquisition of subsidiary	-	19,934,229	-
Profit for the finanical year	2,579,290	-	-
Goodwill written-off	(90,817)	-	-
Revaluation of investment properties	-	-	8,475,668
End of year	2,488,473	19,934,229	8,475,668

Company	Profit and loss £	Revaluation Reserve £
Beginning of year	-	-
Increase in underlying net assets of subsidiary undertakings	-	11,054,958
End of year	-	11,054,958

17 Reconciliation of movements in shareholders' funds

	Group £	Company £
Equity shareholders' funds, beginning of year	-	-
Retained profit for the financial year	2,579,290	-
Goodwill written-off	(90,817)	-
Merger reserve created on acquisition of subsidiary	19,934,229	-
Increase in underlying net assets of subsidiary undertakings	-	11,054,958
Revaluation of investment properties	8,475,668	-
Share capital issued	218	218
Equity shareholders' funds, end of year	30,898,588	11,055,176

Notes to accounts (continued)

18 Minority interests

The movement on minority interests during the year was:

	£
Beginning of year	-
On acquisition of subsidiary undertaking (see note 10d)	444,387
Minority interests' share of losses in the period	(11,319)
Preference shares issued	554,000
End of year	987,068

19 Notes to the cash flow statement

a) Reconciliation of operating profit to operating cash flows	Year ended 24 September 1997 (Note 1a) £
Operating profit	2,546,817
Depreciation charges	34,477
Profit on sale of intangible fixed assets	(18,397)
Increase in land and work-in-progress	(9,613,470)
Decrease in debtors	721,621
Increase in creditors	331,436
Net cash outflow from operating activities	(5,997,516)

b) Analysis of cash flows for headings netted in the cash flow statement	Year ended 24 September 1997 (Note 1a)
Returns on investments and servicing of finance	£
Interest paid	(1,010,862)
Net cash outflow for returns on investments and servicing of finance	(1,010,862)
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(624,266)
Sale of tangible fixed assets	3,624,407
Sale of intangible fixed assets	22,901
Net cash inflow for capital expenditure and financial investment	3,023,042
Acquisitions	
Purchase of subsidiary undertakings (see note 10)	(5,362,879)
Net cash outflow for acquisitions	(5,362,879)

Notes to accounts (continued)

19 Notes to the cash flow statement (continued)

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

	Year ended 24 September 1997 £
Financing	
Issue of ordinary share capital	-
Decrease in loans	(736,236)
Net cash outflow from financing	(736,236)

c) Analysis of net debt

	At 6 January 1997	Cash Flow	Acquisition (excl. cash and overdrafts)	Other non cash changes	At 24 September 1997
	£	£	£	£	£
Cash in hand, at bank	-	288	-	-	288
Overdrafts	-	(10,084,739)	-	-	(10,084,739)
Debt due after one year	-	1,099,273	(13,326,548)	-	(12,227,275)
Debt due within one year	-	(363,037)	(2,809,452)	-	(3,172,489)
Total	-	(9,348,215)	(16,136,000)	-	(25,484,215)

d) Major non-cash transactions
During the year a subsidiary undertaking issued £554,000 of preference share capital to a third party in exchange for the acquisition of land valued at £554,000

20 Capital commitments
The group had capital commitments of £516,086 at 24 September 1997. The company had capital commitments at 24 September 1997 of £Nil.