

PLT Limited

**Directors' report and consolidated
financial statements**

30 April 1997

Registered number 2070622



Directors' report and financial statements

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Directors and Advisers

Managing Director	Harry Walker
Directors	Per Ludvigsson * Bill Moonie* Shane Thorne*
	<i>* Non-Executive</i>
Company Secretary	Martin Hankey
Bankers	Svenska Handelsbanken Trinity Tower 9 Thomas More Street London E1 9WY
Auditors	KPMG 1 Forest Gate Brighton Road Crawley West Sussex RH11 9PT
Solicitors	Titmuss Sainer and Dechert 2 Serjeants' Inn London EC4Y 1LT
Registered Office	Chelsea House The Broadway Haywards Heath West Sussex RH16 3AP
Registered Number	2070622

Managing Director's statement

The company's business continues to divide into the two distinct sectors of performing loans and non-performing loans.

Performing loans

There has been much Press comment over the last twelve months upon the improvement in the housing market. This has caused demand for loan facilities to remain high with, as yet, few new funders coming into the market. I do not anticipate any lessening of demand from developers over the next twelve months, though we are being increasingly selective as land values are forced up. This has resulted in some run down in outstanding balances during the latter half of the year.

As was the case twelve months ago, performing loans represent approximately 40% of our total assets, and have been consistently around this level throughout the year. They have produced a profit contribution of some £2.1 million (1996 - £1.4 million) compared to operating expenses which have increased during the year from £0.8 million to £0.9 million.

Non-performing loans

The reduction in the level of these loans during the year resulting from disposals has only been some £2.8 million, which is a disappointing performance. There has additionally been a reduction of approximately £1.5 million, which results from specific provisions taken, as in previous years, against the income producing assets held to reflect our current cost of funds. Recently, as part of a review by our funders of their ongoing involvement, a revaluation has been carried out on our entire loan book by major national Surveyors and Valuers. Whilst it is not felt appropriate to alter the provisioning of the company during the period of review by our funders, your Board has felt it sensible to reflect the likely level of provisions which could be required in the future as we dispose of our non-performing loan assets, by accordingly increasing the General Provision. The effect of an entire disposal of the non-performing loan book upon the company's balance sheet can now more readily be seen.

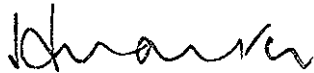
In recent months we have seen interest rates beginning to rise, and forward projections suggest further increases by the end of 1997. As mentioned in my statement last year, we have the benefit of fixed interest rates on £30 million of our funding lines, with those rates being maintained until May 1998. By that date, I would anticipate that non-performing assets should have been reduced by a meaningful amount and we will, therefore, be far less exposed to future adverse interest rate movements than has been the case in earlier years.

When I reported last year, twelve legal actions against professionals were being progressed. We have achieved settlements in respect of three of these cases and withdrawn from a fourth, standing those costs. We still have ten cases running after commencing proceedings on a further two since May 1996. With the full review of our non-performing loan book now having been carried out to identify cases of potential negligence, I am satisfied that we are unlikely to become involved in any additional cases. The amount of recovery which we will achieve from these legal actions is not easy to quantify, but five of the outstanding cases are set down for Hearing during the year ending 30 April 1998 and we will know the outcome by that date. The remaining five cases should all be resolved by the end of 1998. The costs of these legal actions have to be absorbed over a period of approximately two years preceding the date of Hearing. Some £1.6 million of our loss this year results from the cost of these litigations, though we would expect to see much of this cost recovered in the event we are successful with each of our claims. At present it is impossible to forecast the likely benefit which will flow to PLT from the various legal actions, partly due to the fact that the law surrounding such cases has been changing as first instance decisions have been subject to Appeal and subsequently to House of Lords ruling.

Managing Director's statement *(continued)*

The medium-to-long term future of PLT remains uncertain, with question marks currently over the willingness of our two funders to continue their support beyond 31st May 1998 when our loan facilities expire. Entire agreement between our two funders on the most appropriate way forward for PLT's business does not exist, and this has recently resulted in a restriction being imposed by Varstint upon the level of new lending which can be undertaken.

The past twelve months has been very demanding, particularly as the build up of litigation cases has placed great demands upon management time. I am grateful to all my colleagues for the efforts they have given during the year under review.



Harry Walker
Managing Director

Directors' Report

The directors present their tenth annual report and audited financial statements for the year ended 30 April 1997.

Principal activities

The group's principal activity is the granting of short and medium term loans to the smaller corporate borrower.

Results and dividends

The loss for the year, after providing for taxation, amounts to £16,346,000. No dividends were paid during the year. The directors do not recommend the payment of a dividend.

Directors and director's interests

The names of the present directors are set out on page 1. All the directors held office throughout the year.

The directors had the following interests, options and warrants in the shares of the company as at the beginning and end of the year.

	Fully paid preferred ordinary shares	
	1997 No.	1996 No.
 H Walker	40,000	40,000

Directors' and officers' liability insurance

The company has paid a liability insurance premium covering the directors and officers of the company. This cover cost £12,812.

Donations

The group made no charitable donations during the year.

Managing Directors' statement

The statement on pages 2 to 3 forms an integral part of this report.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting, together with authority for their remuneration to be fixed by the directors.

By order of the board



H Walker
Director

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 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 to prevent and detect fraud and other irregularities.



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Brighton Road
Crawley
West Sussex RH11 9PT

Report of the auditors, KPMG, to the members of PLT Limited

We have audited the financial statements on pages 8 to 22.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

We planned and performed our audit so as to obtain all the necessary 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.

Fundamental uncertainty - going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1(i) of the financial statements concerning the uncertainty as to the availability of funding and the arrangement of additional funds from either the company's bankers or shareholders. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Unqualified opinion on the state of the company's affairs

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 1997 and except for the matters referred to below have been properly prepared in accordance with the Companies Act 1985.

Adverse opinion on the loss for the year arising from the treatment of provisions and a disagreement on accounting treatment

We qualified our report for the year ended 30 April 1996 on the basis that the carrying value of certain loans was overstated. As explained in notes 1 (v) and (vi) to the financial statements, the company decided to hold certain properties, held as security for non-performing loans, for the short to medium term and await an upturn in the state of the property market, prior to realisation. In previous years, these properties have been valued on a rental yield basis using a formula based upon the achievable rents and the company's cost of funds. We considered that it would have been more appropriate to use a significantly higher yield which would appropriately reflect the nature of these properties in the market conditions prevailing at that time. Consequently, we believed that the carrying value of £35.0 million in respect of non-performing loans in the prior year's balance sheet was materially overstated. However, in the absence of independent surveyor valuations or rental yields for the properties, we were unable to quantify the extent of the overstatement at either 30 April 1995 or 30 April 1996.



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Report of the auditors, KPMG, to the members of PLT Limited *(continued)*

At 30 April 1997 the directors revalued the non-performing loan book based upon a valuation of the property portfolio by an independent firm of surveyors. We consider that the carrying value of the non-performing loans in the current year's balance sheet is fairly reflected. However, the entire write down of the loans of £11.1 million has been charged in arriving at the loss for the year ended 30 April 1997. This results in an overstatement of the loss for the year ended 30 April 1997 and a corresponding understatement, in aggregate, of the loss for the year ended 30 April 1996 and prior years. In the absence of an independent surveyors' valuation of these properties at 30 April 1996 and 30 April 1995 we are unable to quantify the effect on the profit and loss account for the years to 30 April 1997 or 30 April 1996.

In addition, we qualified our report for the year ended 30 April 1996, in respect of a disagreement as to the treatment of a refinancing cost. In accordance with Financial Reporting Standard 4 (FRS 4) 'Capital instruments', the cost of refinancing should have been charged to the profit and loss account when incurred in January 1994. However, in previous years, the company's policy, in respect of the £1.5 million cost of terminating the original agreement, was to recognise an annual amount in the profit and loss account over the term of the new agreement. The termination cost was incorporated into the revised agreement in such a manner as to increase the percentage at which interest was payable over the term of the revised agreement.

In order to comply with FRS 4, the company has now charged the remaining £1,006,000 of refinancing costs to the profit and loss account in the year ended 30 April 1997. However, this charge has resulted in an overstatement of the loss for the year ended 30 April 1997 of £1,006,000. The loss for the year ended 30 April 1996 was overstated as a result of the charge of the refinancing cost by £257,000 with shareholders' funds at 30 April 1996 overstated by £1,006,000.

KPMG

22 August 1997

KPMG
Chartered Accountants
Registered Auditors

Consolidated profit and loss account

for the year ended 30 April 1997

	<i>Note</i>	1997 £'000	1996 £'000
Interest income		5,355	5,055
Interest payable	2	(6,827)	(6,183)
		<hr/>	<hr/>
Operating expenses		(1,472)	(1,128)
Bad debts recovered		(914)	(804)
Provisions		1,075	1,048
		(15,910)	(5,236)
		<hr/>	<hr/>
Operating loss		(17,221)	(6,120)
Other income	3	875	441
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4	(16,346)	(5,679)
Taxation	7	-	-
		<hr/>	<hr/>
Retained loss for the year	17	(16,346)	(5,679)
		<hr/> <hr/>	<hr/> <hr/>

The loss on ordinary activities arises solely from continuing activities.

There are no recognised gains and losses (1996: £Nil) other than the loss for the year.

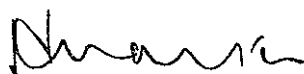
The notes on pages 13 to 22 form part of these financial statements.

Consolidated balance sheet

at 30 April 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	8	75	4
Current assets			
Debtors	10	47,914	68,471
Cash at bank		1,395	2,350
		<u>49,309</u>	<u>70,821</u>
Creditors: amounts falling due within one year	11	<u>(4,674)</u>	<u>(4,269)</u>
Net current assets			
Non-performing loans recoverable from properties taken as security		22,227	36,803
Other net current assets		22,408	29,749
		<u>44,635</u>	<u>66,552</u>
Total net current assets			
		<u>44,710</u>	<u>66,556</u>
Total assets less current liabilities			
		<u>44,710</u>	<u>66,556</u>
Creditors: amounts falling due after more than one year	12	79,500	85,000
Capital and Reserves			
Called up share capital	16	12,953	12,953
Share premium account	17	2,867	2,867
Profit and loss account	17	(50,610)	(34,264)
		<u></u>	<u></u>
Shareholders' funds	18		
Equity		(44,511)	(28,165)
Non-equity		9,721	9,721
		<u></u>	<u></u>
Total shareholders' funds		(34,790)	(18,444)
		<u>44,710</u>	<u>66,556</u>

The financial statements were approved by the Board of Directors on 22 August 1997 and were signed on its behalf by:



H Walker
Managing Director

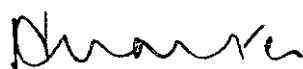
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Company balance sheet

at 30 April 1997

	Note	1997		1996	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		75		4
Investment in subsidiaries	9		1,770		1,770
Current assets					
Debtors	10	45,700		66,498	
Cash at bank		1,395		2,350	
		<u>47,095</u>		<u>68,848</u>	
Creditors: amounts falling due within one year	11	<u>(4,602)</u>		<u>(4,184)</u>	
Net current assets					
Non-performing loans recoverable from properties taken as security			20,150		35,033
Other net current assets			22,343		29,631
Total net current assets			<u>42,493</u>		<u>64,664</u>
Total assets less current liabilities			<u>44,338</u>		<u>66,438</u>
Creditors: amounts falling due after more than one year	12		79,500		85,000
Capital and Reserves					
Called up share capital	16	12,953		12,953	
Share premium account	17	2,867		2,867	
Profit and loss account	17	(50,982)		(34,382)	
Shareholders' funds	18				
Equity		(44,883)		(28,283)	
Non-equity		9,721		9,721	
Total shareholders' funds			<u>(35,162)</u>		<u>(18,562)</u>
			<u>44,338</u>		<u>66,438</u>

The financial statements were approved by the Board of Directors on 22 August 1997 and were signed on its behalf by:



H Walker
Managing Director

The notes on pages 13 to 22 form part of these financial statements.

Consolidated cash flow statement

for the year ended 30 April 1997

Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	1997 £'000	1996 £'000
(Loss) on ordinary activities before taxation	(16,346)	(5,679)
(Increase)/decrease in interest receivable and prepaid expenses	(8)	7
(Decrease)/increase in interest payable and accrued expenses	1,012	(101)
Loan interest	654	708
Provision for loan losses	15,902	8,218
Depreciation	28	21
Profit on disposal of fixed assets	(25)	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from trading activities	1,217	3,174
(Decrease) in other creditors	(227)	(628)
(Decrease)/increase in deposits	(5,500)	10,500
(Decrease) in bank loans	(586)	(1,700)
Decrease/(increase) in loans to customers	4,803	(10,025)
(Increase) in other debtors	(140)	(221)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(433)	1,100
	<hr/> <hr/>	<hr/> <hr/>

Consolidated cash flow statement

	Note	1997 £'000	£'000	1996 £'000	£'000
Net cash (outflow)/inflow from operating activities			(433)		1,100
Returns on investments and servicing of finance					
Loan interest paid			(448)		(712)
Investing activities					
Purchase of tangible fixed assets		(99)		-	
Sale of tangible fixed assets		25		-	
		<hr/>	(74)	<hr/>	-
(Decrease)/increase in cash and cash equivalents	22		(955)		388
			<hr/> <hr/>		<hr/> <hr/>

Consolidated cash flow statement *(continued)*
for the year ended 30 April 1997

Reconciliation of net cashflow to movement in net debt (see note 22)

	1997 £'000	1996 £'000
(Decrease)/increase in cash in the year	(955)	388
Cash to repurchase debt	6,086	(6,799)
	<hr/>	<hr/>
Change in net debt	5,131	(6,411)
Net debt at start of year	(85,540)	(79,129)
	<hr/>	<hr/>
Net debt at end of year	(80,409)	(85,540)
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 22 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

- (i) The financial statements are prepared under the historical cost accounting rules and in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis. The validity of this assumption is dependent upon the group meeting its debts as they fall due and keeping within its bank and subordinated loan covenants and, failing that, obtaining support from its shareholders. In particular, the three year medium term financing expires on 31 May 1998 and has not yet been extended or superseded by an equivalent facility. Without such support the group's substantial assets available to meet its liabilities are properties acquired in respect of non-performing loans and which may not be readily realisable. Whilst the outcome of these matters cannot be certain, the directors believe it is appropriate to use the going concern basis as they believe that, all other matters aside, they will be able to obtain the support of the shareholders, who are also the company's major lenders, in order to allow the company to continue its programme of realisation of the properties as this will, in the opinion of the directors, be in the best interests of those shareholders. These financial statements do not include any adjustments that would result from the going concern basis being inappropriate.
- (ii) The group financial statements consolidate the financial statements of PLT Limited and all its subsidiary undertakings made up to 30 April 1997. Goodwill arising on consolidation is written off against reserves on acquisition. In the company's financial statements, investments in subsidiary undertakings are stated at cost.

In accordance with Section 230 (4) of the Companies Act 1985, PLT Limited is exempt from the requirement to present its own profit and loss account.

The amount of the loss for the financial year dealt with in the financial statements of PLT Limited is disclosed in note 17 to these financial statements.

- (iii) Deferred taxation is calculated by the liability method and is provided to the extent that it is probable that a liability will crystallise in the foreseeable future.
- (iv) Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

Motor vehicles	-	3 years
Computer equipment	-	4 years
Fixtures and fittings	-	5 years
- (v) Provision is made against loans and advances where in the opinion of the directors, their recovery is considered doubtful. Interest on such loans and advances is suspended and not taken to income until received unless overridden by (vi) hereunder. In addition, a general provision is maintained against the portfolio of loans to cover possible losses not specifically identified.
- (vi) The property values, in conjunction with the group's cost of funds, are used in order to provide a basis for the valuation of the non-performing loans and to estimate the loan loss provisions.

As at 30 April 1996 an estimate of property values was calculated using a rental yields formula based upon the group's cost of funds.

As at 30 April 1997 property values are directors' valuations based upon both a rental yields formula based upon the group's cost of funds and an independent professional valuations carried out after the year end date.

Notes (continued)

1 Accounting policies (continued)

- (vii) Interest is taken to the profit and loss account on an accruals basis. Fee income is taken to the profit and loss account on the drawdown of a loan.
- (viii) The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.
- (ix) The group has one operating lease with regard to the rental of its premises. Such rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

2 Interest payable

	1997 £'000	1996 £'000
Bank loans	4,111	4,347
Other loans	1,281	1,128
Subordinated loans	654	708
Deal breakage costs	781	-
	<u>6,827</u>	<u>6,183</u>

3 Other income

	1997 £'000	1996 £'000
Sundry income	875	441
	<u>875</u>	<u>441</u>

4 Loss on ordinary activities before taxation

The loss is stated after charging:

	1997 £'000	1996 £'000
Auditors' remuneration for audit work - group	25	28
- company	22	25
Other fees paid to auditors	9	5
Depreciation	28	21
Rental payable under operating leases for buildings	38	36
	<u>122</u>	<u>115</u>

5 Emoluments

(i) Directors

	1997 £'000	1996 £'000
Remuneration	109	108
Pension contributions	14	14
	<u>123</u>	<u>122</u>

Notes (continued)

5 Emoluments (continued)

One of the directors is an employee of Svenska Handelsbanken. He receives no remuneration for his services as a director of PLT Limited. Fees of £27,025 were paid direct to Svenska Handelsbanken under a consultancy agreement for their services and company secretarial services provided to the company.

(ii) Staff Costs

Staff costs, including directors' emoluments, were:

	1997 £'000	1996 £'000
Salaries	404	420
Social security costs	35	45
Other pension costs	37	39
	<hr/> 476	<hr/> 504
	<hr/> <hr/>	<hr/> <hr/>

The average weekly number of employees inclusive of executive directors during the period was 10 (1996: 11).

6 Pension costs

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company and amounted to £37,000 (1996: £39,000).

7 Taxation

Losses are being carried forward against future profits.

Notes (continued)

8 Tangible assets

Group & company

	Fixtures & fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost				
As at 1 May 1996	74	88	72	234
Additions	-	3	96	99
Disposals	-	-	(72)	(72)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 April 1997	74	91	96	261
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
As at 1 May 1996	(73)	(88)	(69)	(230)
Provided in year	-	-	(28)	(28)
Disposals	-	-	72	72
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 April 1997	(73)	(88)	(25)	(186)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 30 April 1997	1	3	71	75
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value at 30 April 1996	1	-	3	4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 Subsidiaries

The company owns two ordinary shares each of £1 nominal value (nil paid), being all of the issued share capital of PLT Nominees Limited, which has been dormant since its formation. PLT Nominees Limited is registered in England and Wales.

The company also owns two blocks of one hundred ordinary shares each of £1 nominal value (fully paid) being all of the issued share capital of PLT (Property) Limited and PLT (Newcastle Development) Limited which are registered in England and Wales.

The company owns one ordinary share of £1 nominal value (fully paid) being all of the issued share capital of PLT (Brampton) Limited, which is registered in England and Wales.

The company owns one ordinary share of £1 nominal value (fully paid) being all of the issued share capital of Kennard Court (Home Reversions) Limited, which is registered in England and Wales.

The shares of PLT Nominees Limited, PLT (Property) Limited, PLT (Brampton) Limited and Kennard Court (Home Reversions) Limited are carried at cost. However, the shares of PLT (Newcastle Developments) Limited represent the directors' estimate of the carrying value of the total investment made by PLT Limited in PLT (Newcastle Developments) Limited.

Notes (continued)

10 Debtors

	1997 £'000		1996 £'000	
	Group	Company	Group	Company
Loans due within one year	88,959	82,447	94,728	89,127
Loans due over one year				
Customers	3,485	3,485	2,519	2,519
Subsidiary undertakings	-	2,987	-	3,169
Specific provisions	(34,048)	(32,729)	(29,153)	(28,684)
General provisions	(11,319)	(11,319)	(312)	(312)
	<u>47,077</u>	<u>44,871</u>	<u>67,782</u>	<u>65,819</u>
Recoverable VAT & Income Tax deducted at source	427	427	404	404
Other debtors	283	275	166	156
Prepayments and accrued income	127	127	119	119
	<u>47,914</u>	<u>45,700</u>	<u>68,471</u>	<u>66,498</u>

Loans have been valued in accordance with note 1(v) and 1(vi). Loans are classified as due within one year as there is an expectation that monies will be received from the sale of assets taken as security on the non-performing loans. Included within the above loan balances is an amount of £2,304,000 (1996: £2,890,000) which has been assigned, with recourse, to Svenska Handelsbanken.

11 Creditors: amounts falling due within one year

	1997 £'000		1996 £'000	
	Group	Company	Group	Company
Other loans (see note 14)	2,304	2,304	2,890	2,890
Taxation and social security	48	41	11	8
Other creditors	458	458	722	705
Accruals and deferred income	1,864	1,799	646	581
	<u>4,674</u>	<u>4,602</u>	<u>4,269</u>	<u>4,184</u>

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1997 £'000		1996 £'000	
	Group	Company	Group	Company
<i>Due within one to two years</i>				
Bank loans:				
Bank lines (see note 14)	56,000	56,000	-	-
Other lines (see note 15)	14,500	14,500	-	-
	<u>70,500</u>	<u>70,500</u>	<u>-</u>	<u>-</u>
<i>Due within two to five years:</i>				
Bank loans:				
Bank lines (see note 14)	-	-	56,000	56,000
Other lines (see note 15)	-	-	20,000	20,000
Subordinated loan (see note 13)	9,000	9,000	9,000	9,000
	<u>79,500</u>	<u>79,500</u>	<u>85,000</u>	<u>85,000</u>

13 Subordinated loans

Company and group

On 11 January 1991, the company issued £9 million subordinated loan which is repayable at par on 14 December 2000. On 10 June 1992, the subordinated rights were amended, so that in the event of a winding up the lender of the £9 million would rank *pari passu* with the creditors of the company. Both of these are to rank behind the medium term funding provided by Svenska Handelsbanken and Vastint Holding BV (see notes 14 and 15).

14 Bank loans

Company and group

	1997 £'000	1996 £'000
Other loans	2,304	2,890
Bank lines	56,000	56,000
	<u>58,304</u>	<u>58,890</u>

(i) Bank loans

These loans relate to the medium term funding provided by Svenska Handelsbanken to enable the group to continue to trade. The funding facility was renewed on 31 May 1995 for a further 3 years. As security for this loan, the group granted a debenture, in the form of a fixed and floating charge over the group assets, on 10 June 1992.

(ii) Interest rate swaps

On 13 January 1994 an agreement was made to refinance £36 million of the bank lines. The rate of interest previously subject to a floor and cap limit is now fully variable but linked to an interest rate swap arrangement. The details of the outstanding swaps are given in note 21.

Notes (continued)

14 Bank loans (continued)

(iii) Other loans

This loan is against the debts assigned to Svenska Handelsbanken on 22 April 1994 as shown in note 10. The loans may be reassigned and the above amount becomes repayable on demand at any time.

15 Other loans

Company and group

	1997 £'000	1996 £'000
Loan	14,500	20,000

This loan relates to the medium term financing provided by Vastint Holding BV to enable the company to continue to trade. The full facility available of £25 million was renewed on 31 May 1995 for a further 3 years. As security for this loan the company granted a debenture, in the form of a fixed and floating charge over the company's assets, on 10 June 1992.

16 Called up share capital

	1997 £'000		1996 £'000
	Authorised	Issued and fully paid	Authorised Issued and fully paid
New ordinary shares of 25p each	2,500	1,573	2,500 1,573
Deferred ordinary shares of 75p each	7,500	4,721	7,500 4,721
Preferred ordinary shares of 25p each	833	560	833 560
Non-voting preferred ordinary shares of 25p each	1,667	1,099	1,667 1,099
Ordinary share capital	12,500	7,953	12,500 7,953
8.25% convertible preference shares of £1 each	5,000	5,000	5,000 5,000
	17,500	12,953	17,500 12,953

Non equity shares

Both the deferred ordinary shares and the 8.25% convertible preference shares are non equity. The holders of the deferred ordinary shares are not entitled to any dividends, profits of the company or to vote at general meetings. On winding up, the holders are entitled to the amount paid up after other shareholders have received £10 million. The holders of convertible preference shares are entitled to 8.25% non cumulative dividend. They are not entitled to vote except if the company is winding up, altering the rights or has not paid a dividend for six months. The holders shall be entitled to convert two preference shares to one ordinary share between 1992 and 1997 inclusive.

Notes (continued)

16 Called up share capital (continued)

Share options and warrants

As at 30 April 1997 the company had granted options and warrants in respect of ordinary shares as follows:

	Executive Share Option Scheme	Warrants
As at 30 April 1997	72,400	1,648,969
As at 30 April 1996	72,400	1,648,969

The executive share options were originally granted over the £1 ordinary shares. Following the capital reorganisation of 30 October 1991 agreement was reached with the Inland Revenue that this option would now be over the same number of new ordinary shares of 25p at the same option price. These executive share options are normally exercisable between three and ten years from the date of grant of the options (between August 1990 and January 2001). These options are exercisable at prices between £1.50 and £1.90 per ordinary share. The total number of shares which may be issued under this scheme is 313,400.

For those shareholders who took up their rights under the past rights issue warrants to subscribe for preferred ordinary shares were issued at a price of 25p per share. These warrants may be exercised up to 30 September 1998.

17 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
<i>Group</i>			
As at 1 May 1996	2,867	(34,264)	(31,397)
Retained loss for the year	-	(16,346)	(16,346)
As at 30 April 1997	2,867	(50,610)	(47,743)
	2,867	(50,610)	(47,743)
<i>Company</i>			
As at 1 May 1996	2,867	(34,382)	(31,515)
Retained loss for the year	-	(16,600)	(16,600)
As at 30 April 1997	2,867	(50,982)	(48,115)
	2,867	(50,982)	(48,115)

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	1997		1996	
	Group £'000	Company £'000	Group £'000	Company £'000
Loss for the year	(16,346)	(16,600)	(5,679)	(5,778)
Opening shareholders' funds	(18,444)	(18,562)	(12,765)	(12,784)
Closing shareholders' funds	<u>(34,790)</u>	<u>(35,162)</u>	<u>(18,444)</u>	<u>(18,562)</u>

19 Deferred taxation

No provision has been made in the accounts for deferred taxation as there exists a deferred tax asset, which is unlikely to be recovered in the foreseeable future.

20 Contingent liabilities

There are commitments in the normal course of business relating to customer undrawn credit lines, and to the National House Building Registration Council.

21 Commitments

(i) Capital

There is no capital expenditure contracted for but not provided in the financial statements (1996: Nil).

(ii) Operating leases

At 30 April 1997 the company had annual obligations under non-cancellable operating leases as set out below:

	1997 Land and buildings £'000	1996 Land and buildings £'000
Operating lease which expires within: one year	-	34
two years	-	-
over five years	42	42
	<u>42</u>	<u>42</u>

(iii) Interest rate swap

As described in note 14 the company has entered into an interest rate swap agreement, under which it is committed to settling net interest at the following rates:

Loan balance £'000	Interest premium/surplus	Maturity date
5,000	Margin between 7.19% and LIBOR	13 January 1999
5,000	Margin between 7.20% and LIBOR	13 January 2004
8,000	Net margin of 1.10% above LIBOR	13 January 1999
10,000	Net margin of 0.64% above LIBOR	13 January 2004
<u>28,000</u>		

Notes (continued)

22 Analysis of change in net debt

	At 1 May1996	Cashflow	At 31 April 1997
	£000	£000	£000
Cash in hand at bank	1,350	(955)	395
Debt due within 1 year	(2,890)	586	(2,304)
Debt due after 1 year	(85,000)	5,500	(79,500)
7 day deposits	1,000	-	1,000
	<hr/>	<hr/>	<hr/>
	85,540	5,131	(80,409)
	<hr/>	<hr/>	<hr/>