

JACK LUNN (HOLDINGS) LTD

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997**



COMPANY NUMBER : 1473324

JACK LUNN (HOLDINGS) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

DIRECTORS

J Lunn Chairman
H Lunn
D Lunn
R Lunn
G Lunn
R Farrar

SECRETARY

M A Greenough FCA

REGISTERED OFFICE

Progress House
99 Bradford Road
Pudsey
West Yorkshire
LS28 6AT

AUDITORS

John Gordon Walton & Co.
Yorkshire House
Greek Street
Leeds
West Yorkshire
LS1 5ST

BANKERS

Barclays Bank PLC
Leeds Business Centre
P O Box 100
28 Park Row
Leeds
West Yorkshire
LS1 1PA

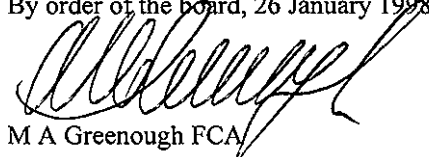
JACK LUNN (HOLDINGS) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

Notice is given that the sixteenth Annual General Meeting of the company will be held at the Registered Office on 20 February 1998 at 3.15pm for the following purposes:

- To receive and adopt the directors' report and financial statements for the year ended 30 September 1997 together with the report of the auditors.
- To re-elect G Lunn and D Lunn as directors.
- To reappoint John Gordon Walton & Co. as auditors and to authorise the directors to fix their remuneration for the ensuing year.
- To discuss any other relevant Company business.

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the company.

By order of the board, 26 January 1998.



M A Greenough FCA
Secretary

DIRECTORS' REPORT

FINANCIAL STATEMENTS

The directors present their report and financial statements for the year ended 30 September 1997.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company or 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 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 REVIEW OF THE BUSINESS

The principal activities of the group continue to be those of contracting; the development, sale and letting of properties; house building; joinery manufacturing and installation.

DEVELOPMENTS DURING THE YEAR AND THE GROUP'S POSITION AT 30 SEPTEMBER 1997

The group's activities remained unchanged from last year. The directors consider the results for the year, as set out on pages 6 to 21, to be satisfactory in view of the present economic climate.

RESULTS AND DIVIDENDS

The profit for the year after taxation and minority interests amounted to £307,755. The directors recommend that this amount be dealt with as follows:

Ordinary dividends	£
Final proposed £4.80 per share	120,000
Transfer to reserves	187,755
	<u>307,755</u>

DIRECTORS' REPORT

MARKET VALUE OF INVESTMENT PROPERTIES

The directors examined the properties in the property portfolio at 30 September 1997, and revalued these as appropriate having regard to current market conditions.

DIRECTORS

The directors during the past year were as follows:

J Lunn	R Lunn	D Lunn
G Lunn	H Lunn	R Farrar

G Lunn and D Lunn retire by rotation at the annual general meeting and offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

The table below sets out the names of the persons who were directors of the company at 30 September 1997, together with details of their interests in the shares of the company at that date and corresponding details at 1 October 1996, or where applicable date of appointment. All interests are beneficial unless otherwise indicated.

	1997	1996
J Lunn	1,125	1,125
R Lunn	7,500	7,500
D Lunn	5,500	5,500
G Lunn	7,500	7,500
H Lunn	1,375	1,375
R Farrar	—	—

None of the directors have any beneficial interests in the shares of other group companies.

AUDITORS

In accordance with Section 385(2) of the Companies Act 1985, a resolution proposing that John Gordon Walton & Co. be re-appointed as auditors will be put to the Annual General Meeting.

This report was approved by the Board on 14 January 1998.



G Lunn
Director

AUDITORS' REPORT

to the shareholders of Jack Lunn (Holdings) Limited.

We have audited the financial statements on pages 6 to 21 which have been prepared under the historical cost convention, as modified to include the revaluation of investment properties, and the accounting policies set out on pages 12 and 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, 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 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 30 September 1997 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



John Gordon Walton & Co.,
Chartered Accountants & Registered Auditors,
Yorkshire House,
Greek Street,
Leeds,
LS1 5ST.
30 January 1998.

JACK LUNN (HOLDINGS) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 1997**

	Notes	1997 £	1996 £
Turnover	2	16,000,894	12,815,222
Change in stocks of finished goods and work in progress		(590,230)	(142,678)
Other operating income		75,955	59,005
		<u>15,486,619</u>	<u>12,731,549</u>
Raw materials and consumables		(10,625,091)	(8,762,411)
Staff costs	20	(2,854,564)	(2,183,861)
Depreciation	7	(138,269)	(112,352)
Other operating charges		(425,595)	(387,559)
		<u>(14,043,519)</u>	<u>(11,446,183)</u>
Operating profit		1,443,100	1,285,366
Profit on sale of properties		—	9,743
Profit on ordinary activities before interest		1,443,100	1,295,109
Interest payable and similar charges		(974,824)	(1,026,922)
Profit on ordinary activities before taxation	3	468,276	268,187
Tax (charge)/credit on profits on ordinary activities	4	(132,301)	6,555
Profit on ordinary activities after taxation		335,975	274,742
Minority interests		(28,220)	(33,779)
Profit for the year		307,755	240,963
Proposed dividend	5	(120,000)	(75,000)
Retained profit for the year	16	<u>187,755</u>	<u>165,963</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 1997**

	Notes	1997 £	1996 £
Profit for the financial year		307,755	240,963
Unrealised revaluation surplus/(deficit) on properties	6	354,885	(158,278)
Capital gains tax on realised profits		—	(82,000)
Goodwill written off on acquisition of subsidiary		—	(43,889)
Total recognised gains and losses		662,640	(43,204)

**NOTE OF HISTORICAL COST PROFITS
FOR THE YEAR ENDED 30 SEPTEMBER 1997**

Reported profit on ordinary activities before taxation	468,276	268,187
Realisation of property revaluation gains in previous years	—	613,069
Historical cost profit on ordinary activities before taxation	468,276	881,256
Historical cost retained profit for the year after taxation, minority interests and dividends	187,755	697,032

JACK LUNN (HOLDINGS) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

**GROUP BALANCE SHEET
AS AT 30 SEPTEMBER 1997**

	Notes	1997		1996	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Investment properties	6		17,806,860		17,424,937
Other fixed assets	7		383,192		387,903
			<u>18,190,052</u>		<u>17,812,840</u>
CURRENT ASSETS					
Stocks and work in progress	9	3,079,533		3,675,177	
Debtors	10	2,916,520		2,784,453	
Cash at bank and in hand		299,224		463,933	
		<u>6,295,277</u>		<u>6,923,563</u>	
CREDITORS - amounts falling due within one year	11	<u>(4,873,204)</u>		<u>(6,368,374)</u>	
Net current assets			1,422,073		555,189
Total assets less current liabilities			<u>19,612,125</u>		<u>18,368,029</u>
CREDITORS - amounts falling due after more than one year					
Provisions for liabilities and charges	12		(7,156,587)		(6,483,351)
Net assets	14		<u>12,455,538</u>		<u>11,884,678</u>
CAPITAL AND RESERVES					
Called up share capital	15		25,000		25,000
Reserves	16		12,264,358		11,721,718
Shareholders' funds (Equity interests)	17		<u>12,289,358</u>		<u>11,746,718</u>
Minority interest			166,180		137,960
			<u>12,455,538</u>		<u>11,884,678</u>

The financial statements on pages 6 to 21 were approved by the Board on 14 January 1998.



G Lunn
Director

JACK LUNN (HOLDINGS) LTD
 DIRECTORS' REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 SEPTEMBER 1997

BALANCE SHEET
AS AT 30 SEPTEMBER 1997

	Notes	1997		1996	
		£	£	£	£
FIXED ASSETS					
Investments	8		725,361		725,360
CURRENT ASSETS					
Debtors	10	2,614,593		2,690,339	
CREDITORS - amounts falling due within one year	11	(1,476,104)		(1,466,887)	
Net current assets			1,138,489		1,223,452
Net assets			<u>1,863,850</u>		<u>1,948,812</u>
CAPITAL AND RESERVES					
Called up share capital	15		25,000		25,000
Profit and loss account			1,838,850		1,923,812
Shareholders' funds	17		<u>1,863,850</u>		<u>1,948,812</u>
(Equity interests)					

The financial statements on pages 6 to 21 were approved by the Board on 14 January 1998.



G Lunn
 Director

JACK LUNN (HOLDINGS) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1997

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 1997**

	Notes	1997 £	1996 £
Net cash inflow from operating activities	1	1,974,795	1,388,811
Returns on investments and servicing of finance			
Interest paid		(974,824)	(1,026,922)
Net cash outflow from returns on investments and servicing of finance		(974,824)	(1,026,922)
Taxation		(76,381)	(150,845)
Capital expenditure and financial investment			
Additions to investment properties		(27,038)	(344,922)
Purchase of tangible fixed assets		(146,100)	(165,286)
Sale of investment properties		—	1,299,743
Sale of tangible fixed assets		14,364	24,018
Net cash (outflow)/inflow from capital expenditure and servicing of finance		(158,774)	813,553
Acquisitions and disposals			
Cash acquired from minority on purchase of subsidiary		—	96,000
Equity dividends paid		(75,000)	(150,000)
Net cash inflow before management of liquid resources and financing		689,816	970,597
Financing			
Net loan instalments advanced/(paid)		692,794	(975,803)
Capital element of finance lease payments		(73,130)	(39,797)
	3	619,624	(1,015,600)
Costs in connection with issue of shares in subsidiary		—	(35,708)
Net cash inflow/(outflow) from financing		619,624	(1,051,308)
Increase/(decrease) in cash in the year	3	1,309,440	(80,711)

NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1997

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	1,443,100	1,285,366
Depreciation charges	138,269	112,352
(Profit)/loss on disposal of fixed assets	(1,822)	460
Decrease in stocks	595,644	224,707
(Increase) in debtors	(139,317)	(965,637)
(Decrease)/increase in creditors	(61,079)	731,563
	<u>1,974,795</u>	<u>1,388,811</u>

2. ANALYSIS OF NET FUNDS

	1 Oct 1996 £	Cash flow £	30 Sept 1997 £
Net cash:			
Cash at bank and in hand	463,933	(164,709)	299,224
Bank loans and overdrafts	(2,874,587)	1,474,149	(1,400,438)
	<u>(2,410,654)</u>	<u>1,309,940</u>	<u>(1,101,214)</u>
Debt:			
Mortgage loans	(6,487,285)	(737,784)	(7,225,069)
Director's loans	(148,427)	44,990	(103,437)
Finance lease obligations	(154,073)	73,170	(80,903)
	<u>(6,789,785)</u>	<u>(619,624)</u>	<u>(7,409,409)</u>
Net funds	<u>(9,200,439)</u>	<u>(689,816)</u>	<u>(8,510,623)</u>

3. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £	1996 £
Increase/(decrease) in cash in the year	1,309,440	(80,711)
Cash (outflow)/inflow from (increase)/decrease in debt	(619,624)	1,015,600
Movement in net funds in year	689,816	934,889
Opening net funds	(9,200,439)	(10,135,328)
Closing net funds	<u>(8,510,623)</u>	<u>(9,200,439)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties.

Turnover

Turnover represents the invoiced amount of sales, exclusive of value added tax, in the year.

Investment properties

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act would normally require the systematic annual depreciation of these properties, the directors believe that this policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view. These properties are maintained in a state of good repair and accordingly the directors consider that the lives of the assets are so long and residual values, based on prices prevailing at the time of valuation, are so high that any depreciation charge to the profit and loss account would be insignificant.

No provision is made for any capital gains tax that may arise in the event of actual sales being effected at these revalued amounts.

Other tangible fixed assets and depreciation

Other tangible fixed assets are depreciated on the reducing balance basis at rates calculated by reference to their expected useful lives. The annual rates applied are:

Motor vehicles	25%
Plant and equipment	20% to 25%
Fixtures, fittings and office machinery	20%

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments, and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligation in each period.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

Stocks and work in progress

Stocks and work in progress, including land and buildings under development, part-exchange properties and completed developments, are stated at the lower of cost and estimated net realisable value. Cost includes the direct cost of labour and materials. Net realisable value is taken as estimated selling price less all further costs to completion. Progress payments received and receivable are deducted from work in progress.

In the case of long term contracts, turnover is accounted for when it is considered that the outcome can be assessed with reasonable certainty before its conclusion. Attributable profit is then recognised in the profit and loss account as the difference between the reported turnover, based on architects' certificates and related costs for that contract. Foreseen losses are written off immediately.

Pension costs

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with SSAP 24.

Investments in subsidiaries

Fixed asset investments are stated at cost, less, if considered necessary, provision for permanent diminution in value.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is only made if the directors consider that there is a probability of a liability arising in the foreseeable future.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, all of which are made up to 30 September 1997. The net difference between the cost of shares and the value attributed to the net assets at the date of acquisition is shown in reserves as capital reserve arising on consolidation. A separate profit and loss account dealing with the results of the company only has not been presented in accordance with the exemption conferred by S230 Companies Act 1985.

Goodwill arising on consolidation represents the excess of the consideration given over the fair value of the net assets acquired. Goodwill arising on the acquisition of subsidiaries is written off immediately against reserves.

Compliance with accounting standards

The financial statements have been prepared in accordance with UK applicable Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

2. SEGMENTAL INFORMATION

	Turnover		Profit before taxation	
	1997	1996	1997	1996
	£	£	£	£
Contracting, house building, joinery manufacture, and property development	14,217,638	10,978,892	(193,567)	(348,609)
Property income	1,783,256	1,836,330	661,843	616,796
	<u>16,000,894</u>	<u>12,815,222</u>	<u>468,276</u>	<u>268,187</u>

Geographical market - all turnover is earned in the United Kingdom from continuing activities.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997	1996
	£	£
After charging:		
Depreciation - owned assets	101,467	66,030
Depreciation - assets held under finance leases	36,802	46,322
Exceptional item - contract dispute	159,353	441,930
Write-down of stock and work in progress	24,285	102,941
Auditors' remuneration - audit	21,725	20,125
Auditors' remuneration - non-audit	6,225	7,075
Interest payable on bank loans	131,948	168,516
Interest payable on hire purchase and lease contracts	20,206	20,667
Other interest	<u>822,670</u>	<u>837,739</u>

4. TAXATION

	1997	1996
	£	£
UK current year taxation		
UK Corporation tax at 33%	136,000	80,100
Prior years		
UK Corporation tax	(3,699)	(4,655)
Taxation charge for year	<u>132,301</u>	<u>75,445</u>
Capital gains tax charged to revaluation reserve	—	(82,000)
Charge/(credit) to profit and loss account	<u>132,301</u>	<u>(6,555)</u>

The tax charge for 1996 was reduced by approximately £103,000 following changes in the treatment of interest payable for corporation tax purposes.

5. DIVIDENDS

	1997	1996
	£	£
Proposed of £4.80 (1996: £3.00) per ordinary share	<u>120,000</u>	<u>75,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

6. INVESTMENT PROPERTIES - GROUP

	Freehold £	Long leasehold £	Total £
1 October 1996	17,024,937	400,000	17,424,937
Additions	27,038	—	27,038
Surplus on revaluation	354,885	—	354,885
30 September 1997	17,406,860	400,000	17,806,860

The amount of land and buildings as determined according to historical cost accounting rules is:

	Freehold £ 1997	Freehold £ 1996	Long leasehold £ 1997	Long leasehold £ 1996
Cost	9,915,361	9,888,323	256,671	256,671

Investment properties held at 30 September 1997, have been valued by the directors on an open market basis. Included in freehold properties is an amount of £250,684 (1996: £242,972) relating to property under construction. Also included in freehold properties are two properties occupied by group companies. The directors believe it is not practicable to quantify the value attributable to group occupation. The total value of these two properties is £1,382,794.

7. TANGIBLE FIXED ASSETS - GROUP

	Plant and equipment £	Fixtures and fittings	Motor vehicles £	Total £
Cost				
1 October 1996	472,672	207,472	497,476	1,177,620
Additions	49,053	15,980	81,067	146,100
Disposals	(300)	—	(47,652)	(47,952)
30 September 1997	521,425	223,452	530,891	1,275,768

Depreciation

1 October 1996	380,474	157,623	251,620	789,717
Charge for the year	33,412	15,031	89,826	138,269
Disposals	(80)	—	(35,330)	(35,410)
30 September 1997	413,806	172,654	306,116	892,576

Net book value

30 September 1997	107,619	50,798	224,775	383,192
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30 September 1996	92,198	49,849	245,856	387,903
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The net book value of assets held under lease and hire purchase contracts included above is £120,521 (1996: £181,649).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

8. INVESTMENTS - COMPANY

	1997 £	1996 £
Shares in subsidiary undertakings	725,361	725,360
Cost at 1 October 1996	725,360	525,200
Additions during year	1	200,160
Cost at 30 September 1997	725,361	725,360

The addition relates to share capital acquired following the incorporation of Lunn Healthcare Facilities Ltd.

The companies included above, all of which are registered in England, are:

NAME OF COMPANY	NATURE OF BUSINESS	CLASS OF SHARES HELD	PERCENTAGE
Jack Lunn (Leeds) Ltd	Holding company	Ordinary	100%
Jack Lunn (Properties) Ltd	Letting of property	Ordinary	100%
Jack Lunn (Joinery) Ltd	Joinery manufacturers	Ordinary	100%
Jack Lunn (Homes) Ltd	Residential property development	Ordinary	100%
Jack Lunn (Developments) Ltd	Property development	Ordinary	100%
Jack Lunn (Group Services) Ltd	Dormant	Ordinary	100%
Lunn Healthcare Facilities Ltd	Healthcare property development	Ordinary	100%
Irwins Ltd	Building contractors	'A' Ordinary	60%

In addition, Jack Lunn (Leeds) Ltd owns the whole of the ordinary share capital of Jack Lunn (Construction) Ltd. This company, which is registered in England, operates as a building contractor.

9. STOCKS AND WORK IN PROGRESS

	Group 1997 £	1996 £
Raw materials and consumables	40,435	27,625
Work in progress, and land and buildings under development	1,436,371	1,888,785
Part exchange properties	105,000	105,000
Completed developments	1,497,727	1,653,767
	3,079,533	3,675,177

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

10. DEBTORS

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Trade debtors	1,290,550	1,134,123	—	—
Amounts owed by subsidiary undertakings	—	—	2,582,778	2,669,809
Amounts recoverable on contracts	1,357,471	1,255,259	—	—
Other debtors	97,455	105,578	—	—
Prepayments and accrued income	141,044	252,243	1,815	1,780
ACT recoverable	30,000	37,250	30,000	18,750
	<u>2,916,520</u>	<u>2,784,453</u>	<u>2,614,593</u>	<u>2,690,339</u>

The ACT is recoverable after more than one year.

11. CREDITORS: Amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loans and overdrafts	1,400,438	2,874,587	3,700	8,570
Loans (see note 13)	86,393	65,807	—	—
Trade creditors	1,521,399	1,639,569	—	—
Amounts owed to subsidiary undertakings	—	—	1,196,973	1,199,490
Directors' loans	103,437	148,427	103,437	148,427
Other creditors	138,745	124,111	16,494	16,650
Corporation tax	98,520	61,100	—	—
Other taxes and social security costs	170,354	90,336	—	—
Accruals and deferred income	1,140,926	1,178,487	5,500	—
ACT payable	30,000	18,750	30,000	18,750
Proposed dividend	120,000	75,000	120,000	75,000
Obligations under hire purchase and finance lease contracts	62,992	92,200	—	—
	<u>4,873,204</u>	<u>6,368,374</u>	<u>1,476,104</u>	<u>1,466,887</u>

The bank and other loans and overdrafts are secured by a fixed and floating charge over the assets and undertakings of the company and its subsidiary undertakings together with cross guarantees and debentures given by its subsidiary undertakings.

Hire purchase and finance lease creditors are secured on the assets to which they relate.

12. CREDITORS: Amounts falling due after more than one year

	Group	
	1997	1996
	£	£
Loans (see note 13)	7,138,676	6,421,478
Obligations under hire purchase and finance lease contracts due within 5 years	17,911	61,873
	<u>7,156,587</u>	<u>6,483,351</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

13. LOANS: Amounts falling due after more than one year

	1997 £	1996 £
12.4797% mortgage repayable in half yearly instalments to 2001	754,400	786,600
13.96% mortgage loan repayable in 2002	1,320,000	1,320,000
11.54% mortgage loan repayable in 2007	782,599	—
13.69% mortgage loan repayable in 2009	1,269,155	1,280,739
13.72% mortgage loan repayable in 2009	1,690,541	1,706,819
13.88% mortgage loan repayable in 2011	1,321,981	1,327,320
Amounts payable after one year	<u>7,138,676</u>	<u>6,421,478</u>

	1997 £	1996 £
Loan repayments		
Amounts payable by instalments:		
within one year	86,393	65,807
between one and two years	92,584	69,920
between two and five years	1,268,059	239,413
over five years	928,863	1,499,225
	<u>2,375,899</u>	<u>1,874,365</u>
Amounts payable over five years and not payable by instalments	4,849,170	4,612,920
	<u>7,225,069</u>	<u>6,487,285</u>
Less included in current liabilities	(86,393)	(65,807)
	<u>7,138,676</u>	<u>6,421,478</u>

Certain of the above loans are subject to rates of interest less than those shown above for prompt payment of interest on the due dates.

Details of security: The above loans are secured by fixed charges over certain properties held by a subsidiary.

14. PROVISIONS FOR LIABILITIES AND CHARGES - GROUP

	Provided		Unprovided	
	1997 £	1996 £	1997 £	1996 £
Deferred taxation	—	—	326,500	415,000
Properties	—	—	447,000	351,000
Accelerated capital allowances	—	—	773,500	766,000

15. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1997 Number	1996 Number	1997 £	1996 £
£1 ordinary	100,000	100,000	25,000	25,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

16. RESERVES - GROUP

	Revaluation reserve £	Capital reserve on consolidation £	Profit and loss account £	Total Reserves £
1 October 1996	7,279,943	1,406,657	3,035,118	11,721,718
Profit for the year	—	—	187,755	187,755
Revaluation surplus	354,885	—	—	354,885
30 September 1997	7,634,828	1,406,657	3,222,873	12,264,358

RESERVES – COMPANY

Of the group profit for the year, a loss of £84,962 (1996: loss of £106,669) has been dealt with in the financial statements of Jack Lunn (Holdings) Ltd.

GOODWILL

The cumulative amount of goodwill written off amounts to £43,889.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Profit for the financial year	307,755	240,963	35,038	(31,669)
Dividends	(120,000)	(75,000)	(120,000)	(75,000)
Other recognised gains and losses	354,885	(284,167)	—	—
Movement in year	542,640	(118,204)	(84,962)	(106,669)
Opening shareholders' funds	11,746,718	11,864,922	1,948,812	2,055,481
Closing shareholders' funds	12,289,358	11,746,718	1,863,850	1,948,812

18. COMMITMENTS ON BEHALF OF GROUP COMPANIES

The company has given an unlimited cross guarantee and debenture to Barclays Bank PLC to secure the borrowings of the parent undertaking and fellow subsidiary undertakings. At 30 September 1997 these borrowings amounted to £954,425 (1996: £2,359,944).

The group has entered into performance bonds in the normal course of business have been guaranteed by the group's bankers and insurers to a total of £754,676.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

19. DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Emoluments for qualifying services	352,002	315,549
Company pension contributions to money purchase schemes	52,437	52,437
Aggregate emoluments	404,439	367,986
Retirement benefits are accruing to three directors under money purchase pension schemes.		
The emoluments of the highest paid director were as follows:		
Emoluments for qualifying services	82,867	82,327
Company pension contributions to money purchase scheme	24,257	15,892
	107,124	98,219

Mr R Farrar also received £10,000 (1996: £10,917) consultancy fees which are not included above.

20. STAFF COSTS

(a) Number of employees

The average monthly number of persons (including directors) employed by the group during the year was:

	1997	1996
Administrative	41	31
Construction	109	86
	150	117

(b) Employment costs

	£	£
Wages and salaries	2,506,178	1,919,883
Social security costs	220,002	134,696
Other pension costs	102,173	91,235
Other costs	26,311	38,047
	2,854,564	2,183,861

21. PENSION COSTS

The group operates a group personal pension scheme in respect of certain employees and a money purchase scheme for certain directors. The assets of the money purchase scheme are held separately from those of the group in an independently administered fund.

22. RELATED PARTY TRANSACTIONS

As the company is a parent company it has taken advantage of the exemption not to disclose transactions with its wholly owned subsidiaries.

At 30 September 1997 the company was owed £16,269 (1996: £16,419) by Arthur Lambert & Co. (Leeds) Ltd, which is also controlled by the directors of Jack Lunn (Holdings) Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

23. CONTROL

The company is controlled by its shareholders. Ninety percent of the shares are held equally by Mr R Lunn, Mr G Lunn, and Mr D Lunn and his family.