

1067607 (England & Wales)

Knightspur Properties Plc
Directors' Report and Financial Statements
for the year ended 31st December 1998



Knightspur Properties Plc

Company Information

Directors	Peter Laurence Murphy Esq., Matthew Martin Slane Esq.,
Joint Secretaries	Paul Williams Esq., Mrs Shirley Dwyer
Company Number	1067607 (England and Wales)
Registered Office	Gloucester House Woodside Lane North Finchley London N12 8TP
Auditors	Simmons Gainsford 7/10 Chandos Street Cavendish Square London W1M 9DE

Knightspur Properties Plc

Contents

	Page
Chairman's Statement	1
Directors' Report	2 - 3
Auditors' Report	4
Consolidated Profit and Loss Account	5
Note of Historical Cost Profits and Losses	6
Consolidated Balance Sheet	7
Profit and Loss Account	8
Statement of Total Recognised Gains and Losses	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Cash Flow Statement	12 - 13
Notes to the Financial Statements	14 - 26

Knightspur Properties Plc

Chairman's Statement

Financial Statements for the year ended 31st December 1998

Knightspur Properties Plc and its subsidiaries are principally involved in the residential sector of the property market. The activities comprise of investments, development and trading in residential property portfolios.

The group has continued to adopt its policy to improve its residential portfolio by a programme of continued upgrading and provision of self-contained units. The group operates a priority repair scheme for all tenants and lessees ensuring a high standard of customer care and intends to expand and improve where possible such care. The combined effect is the creation of an easily realisable portfolio of properties. In the year, the group has successfully achieved a much improved quality of properties for sale at a lower building cost per unit.

I am pleased to report a Consolidated Profit before Taxation of £1,623,384 for the year to 31st December 1998.

The group's gross realisations of both investment and trading portfolios amounted to c£4.44m (1997: c£1.17m).

I am thankful for the continued support of our main bankers, Barclays Bank Plc and Investec Bank (UK) Limited through long term funding arrangements negotiated in the previous year.

I am confident of the future prospects of the group and with the current buoyant market conditions, I hope to be able to report an improvement in the group results for the forthcoming year.

The Knightspur group is now concentrating more resources on the development of residential property and during 1998, acquired two substantial portfolios of properties for modernisation and sale to the first time buyer market. This gives the group a balanced development portfolio as it has also continued construction and commenced sales of houses in a premier site in Totteridge, North London.



P.L. Murphy
Chairman

Date: 29 July 1999

Knightspur Properties Plc

Directors' Report for the year ended 31st December 1998

The directors present their report and the financial statements for the year ended 31st December 1998.

Principal Activities and Review of the Business

The principal activities of the group during the year have been that of property dealing, development and investment.

The review of the group's activities during the year and its future prospects are as indicated in the Chairman's Statement.

Results and Dividends

The Statutory Consolidated Profit and Loss Account which is set out on page 5 shows a profit before taxation of £1,623,384.

The directors do not recommend the payment of a dividend.

Fixed Assets

The significant changes in fixed assets during the year are explained in notes 8 to 10 to the financial statements.

Directors and their Interests

The directors who served during the year and their direct beneficial interests in the ordinary share capital of the company were as stated below:

	Class of Share	1998	1997
Peter Laurence Murphy Esq.	Ordinary shares	80.63%	76.33%
Matthew Martin Slane Esq.	Ordinary shares	0.67%	0.82%

In addition to the interests shown above, Peter Laurence Murphy also has an indirect interest in the company by virtue of his 85% beneficial interest in C & G Properties Plc which is interested in 9.30% (1997: 11.36%) of the company's share capital, and by being a member of The KCG Pension Fund, together with his wife, being the only two members of that scheme, which is interested in a further 9.40% (1997: 11.49%) of the company's share capital.

Knightspur Properties Plc

Directors' Report for the year ended 31st December 1998 (continued)

Year 2000 Compliance

The Year 2000 issue, which stems from computer programs written using two rather than four digits to define the applicable year, could result in processing faults on the change of the century and produce a wide range of consequences.

The directors have recognised the potential disruption and cost to the business of the Year 2000 issue and have begun the implementation of a software upgrade in the internal accounting and administrative systems. The costs associated with this will be recognised in the year in which the expenditure is incurred.

The Year 2000 issue does create risks for us from third parties with whom we deal on financial and business transactions. However, we cannot be certain of avoiding disruption to the business in areas where we do not have a direct relationship.

Auditors

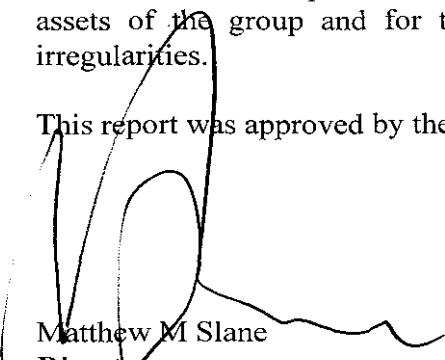
In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Simmons Gainsford be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group as at the end of the financial year and of the profit or loss, total recognised gains or losses and cash flow of the group for that period. The directors confirm their responsibility to ensure that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31st December 1998. The directors also confirm their responsibility to 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 maintaining adequate accounting records, for safeguarding the assets of the group and for taking reasonable steps to prevent and detect fraud and other irregularities.

This report was approved by the Board on 29 July 1999.



Matthew M Slane
Director

Auditors' Report
to the shareholders of Knightspur Properties Plc

We have audited the financial statements 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 14 and 15.

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 on the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the group's and company's financial affairs at 31st December 1998 and of the results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Simmons Gainsford

Simmons Gainsford

Chartered Accountants
& Registered Auditors

29 July 1999

7/10 Chandos Street
Cavendish Square
London W1M 9DE

Knightspur Properties Plc
Consolidated Profit and Loss Account
for the year ended 31st December 1998

	Notes	1998 £	1997 £
Turnover	2	3,644,800	1,277,129
Cost of sales		<u>(2,889,043)</u>	<u>(356,124)</u>
Gross profit		755,757	921,005
Administrative expenses		(525,622)	(338,101)
Other operating income		<u>242,911</u>	<u>63,994</u>
Operating profit	3	473,046	646,898
Share of losses of associated company		(15,218)	(4)
Profit on sale of group undertaking	10b	1,115,340	-
Profit on sale of investment properties	4	436,260	206,460
Revaluation deficit on investment investment properties		<u>(55,322)</u>	<u>-</u>
Profit on ordinary activities before interest		1,954,106	853,354
Interest receivable		48,848	24,494
Interest payable	5	<u>(379,570)</u>	<u>(402,209)</u>
Profit on ordinary activities before taxation		1,623,384	475,639
Taxation on ordinary activities	7	<u>(278,632)</u>	<u>(196,619)</u>
Profit on ordinary activities after taxation		1,344,752	279,020
Minority interest		<u>10,264</u>	<u>(71,300)</u>
Profit for the year	19	<u><u>1,355,016</u></u>	<u><u>207,720</u></u>

The above results relate to the continuing operations of the group.

There are no recognised gains and losses other than those passing through the profit and loss account.

Knightspur Properties Plc

Note of Historical Cost Profits and Losses

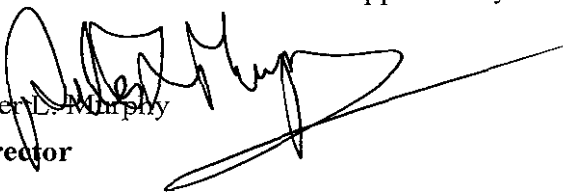
	1998	1997
	£	£
Reported profit on ordinary activities before taxation	1,623,384	475,639
Realisation of property revaluation gains of previous years	160,980	-
Taxation charge on ordinary activities	(278,632)	(196,619)
Profit after taxation	1,505,732	279,020
Minority interest	10,264	(71,300)
Historical cost profit on ordinary activities after taxation	<u>1,515,996</u>	<u>207,720</u>

Knightspur Properties Plc

Consolidated Balance Sheet as at 31st December 1998

	Notes	1998		1997	
		£	£	£	£
Fixed assets					
Intangible assets	8	-		18,590	
Tangible assets	9a	2,872,874		3,212,348	
Investments	10a	<u>1,540</u>	2,874,414	<u>44,932</u>	3,275,870
Current assets					
Stocks	11	3,371,631		2,864,589	
Debtors	12	1,713,297		937,976	
Cash at bank and in hand		<u>3,624,636</u>		<u>795,906</u>	
		8,709,564		4,598,471	
Creditors:					
Amounts falling due within one year	13	<u>(4,989,809)</u>		<u>(2,569,190)</u>	
Net current assets					
			<u>3,719,755</u>		<u>2,029,281</u>
			6,594,169		5,305,151
Creditors:					
Amounts falling due after more than one year	14		<u>(2,045,000)</u>		<u>(2,582,816)</u>
Total assets less current liabilities					
			<u>4,549,169</u>		<u>2,722,335</u>
Capital and reserves					
Called up share capital	15		2,100,062		1,718,394
Share premium account	16		621,412		251,278
Investment revaluation reserve	17		4,511		165,491
Capital reserve	18		487,299		403,577
Profit and loss account	19		<u>982,685</u>		<u>(533,311)</u>
Equity shareholders' funds	22		4,195,969		2,005,429
Minority interest			<u>353,200</u>		<u>716,906</u>
			<u>4,549,169</u>		<u>2,722,335</u>

The financial statements were approved by the Board on 29 July 1999.


Peter L. Murphy
Director

Knightspur Properties Plc
Profit and Loss Account
for the year ended 31st December 1998

	Notes	1998 £	1997 £
Turnover	2	1,285,852	464,825
Cost of Sales		<u>(924,565)</u>	<u>(172,601)</u>
Gross Profit		361,287	292,224
Property expenses		(157,508)	(72,661)
Administrative expenses		<u>(372,200)</u>	<u>(157,955)</u>
		(168,421)	61,608
Group Dividends		842,500	285,000
Other Operating income		<u>241,084</u>	<u>230,963</u>
Operating Profit	3	915,163	577,571
Profit on sale of subsidiary		825,998	-
Amounts written off investments		<u>(1,214,473)</u>	<u>-</u>
Profit on ordinary activities before interest		526,688	577,571
Interest receivable		<u>46,364</u>	<u>21,254</u>
		573,052	598,825
Interest payable	5	<u>(280,217)</u>	<u>(278,866)</u>
Profit on ordinary activities before taxation		292,835	319,959
Taxation on profit on ordinary activities	7	<u>(48,249)</u>	<u>(14,077)</u>
Profit on ordinary activities after taxation	19	<u>244,586</u>	<u>305,882</u>

The above results relate to the continuing operations of the company.

Knightspur Properties Plc

**Statement of Total Recognised Gains and Losses
for the year ended 31st December 1998**

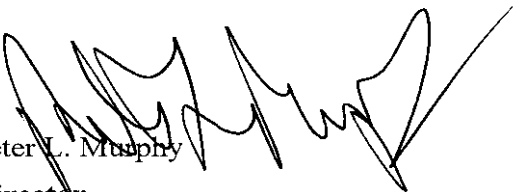
	1998	1997
	£	£
Results per profit and loss account	244,586	305,882
Reduction in provision against investments in group companies	702,045	-
	946,631	305,882

Knightspur Properties Plc

Balance Sheet as at 31st December 1998

	Notes	1998		1997	
		£	£	£	£
Fixed Assets					
Tangible Assets	9b		17,159		19,065
Investments	10b		<u>5,283,028</u>		<u>5,269,364</u>
			5,300,187		5,288,429
Current Assets					
Stocks	11	2,145,703		1,224,964	
Debtors	12	2,047,217		2,689,401	
Cash at Bank and in hand		<u>2,831,169</u>		<u>623,936</u>	
		7,024,089		4,538,301	
Creditors:					
Amounts falling due within one year	13	<u>(7,087,257)</u>		<u>(5,983,144)</u>	
Net Current Liabilities			<u>(63,168)</u>		<u>(1,444,843)</u>
Total Assets less Current Liabilities			5,237,019		3,843,586
Creditors:					
Amounts falling due after more than one year	14		<u>(1,392,500)</u>		<u>(1,697,500)</u>
			<u>3,844,519</u>		<u>2,146,086</u>
Capital and Reserves					
Called up Share Capital	15		2,100,062		1,718,394
Share Premium Account	16		621,412		251,278
Investment Revaluation reserve	17		2,589,106		1,887,061
Capital reserve	18		1,109		1,109
Profit and Loss Account	19		<u>(1,467,170)</u>		<u>(1,711,756)</u>
Shareholders' funds					
(equity interests)	22		<u>3,844,519</u>		<u>2,146,086</u>

The financial statements were approved by the Board on **29** July 1999.


Peter L. Murphy
Director

Knightspur Properties Plc

Consolidated Cash Flow Statement for the year ended 31st December 1998

	Notes	1998		1997	
		£	£	£	£
Net cash inflow from operating activities	1		513,969		666,580
Returns on investments and servicing of finance					
Interest received		48,848		24,494	
Interest paid		<u>(379,570)</u>		<u>(402,209)</u>	
Net cash outflow from returns on investments and servicing of finance			(330,722)		(377,715)
Taxation					
Corporation Tax paid			(94,119)		(221,297)
Capital expenditure and financial investment					
Purchase of investment properties		(487,613)		(45,581)	
Purchase of other tangible fixed assets		(3,703)		(11,383)	
Sale of investment properties		<u>1,114,309</u>		<u>583,107</u>	
Net cash inflow from capital expenditure and financial investment			622,993		526,143
Acquisitions and disposals					
Net cash acquired with subsidiaries		688,517		-	
Net cash disposed with subsidiary		(7,672)			
Purchase of minority interest in subsidiary		(603,200)		-	
Sale of subsidiary undertaking		<u>1,654,297</u>		<u>-</u>	
Net cash inflow from acquisitions and disposals			1,731,942		-
Financing					
Increase in short term borrowings		971,717		-	
Repayment of loans		<u>(537,816)</u>		<u>-</u>	
			433,901		-
Increase in cash in the year			<u>2,877,964</u>		<u>593,711</u>

Knightspur Properties Plc

Notes to the Consolidated Cash Flow Statement for the year ended 31st December 1998

1 Reconciliation of operating profit to net cash inflow from operating activities

	1998	1997
	£	£
Operating profit	473,046	646,898
Depreciation charges	9,237	10,784
Increase in stocks of properties	(368,580)	(120,458)
(Increase) / decrease in debtors	(60,935)	102,757
Increase in creditors	440,909	(11,904)
Amortisation of goodwill	20,292	38,503
Net cash inflow from operating activities	£ 513,969	£ 666,580

2 Reconciliation of net cash flow to movement in net debt (note 3)

	1998	1997
	£	£
Increase / (decrease) in cash in the period	2,877,964	593,711
Cash (inflow) / outflow from increase / decrease in debt	(433,901)	-
Changes in net debt resulting from cash flows	2,444,063	593,711
Loans disposed with subsidiary	190,908	-
Movement in net debt in the year	2,634,971	593,711
Net debt at start of period	(2,993,540)	(3,587,251)
Net (debt) / cash at end of period	£ (358,569)	£ (2,993,540)

3 Analysis of changes in net debt

	At 01.01.98	Cash flow	Disposals / acquisitions	Non-cash changes	At 31.12.98
	£	£	£	£	£
Cash in hand and at bank	795,906	2,828,730		-	3,624,636
Overdrafts	(87,975)	49,234	-	-	(38,741)
	707,931	2,877,964	-	-	3,585,895
Debt due within one year	(1,118,655)	(971,717)	190,908	-	(1,899,464)
Debt due after one year	(2,582,816)	537,816	-	-	(2,045,000)
Net debt	(2,993,540)	2,444,063	190,908	-	(358,569)

Knightspur Properties Plc

Notes to the Consolidated Cash Flow Statement for the year ended 31st December 1998

4 Purchase of subsidiary undertakings

	£
Net assets acquired	
Investment properties	70,576
Investments	95,646
Stock of properties	581,259
Debtors	640,295
Cash at bank and in hand	688,517
Creditors	(1,105,635)
Bank loans	(61,755)
Minority shareholders' interests	(40,577)
	<u>868,326</u>
Goodwill	1,702
Capital reserve on consolidation	(83,722)
	<u>786,306</u>
Satisfied by	
Shares allotted - par value of shares issued	381,668
- share premium on shares issued	370,134
Reclassification of investment in associated undertaking	34,504
	<u>786,306</u>

5 Sale of subsidiary undertakings

	£
Net assets disposed of	
Fixed assets	88,182
Stocks	442,797
Debtors	48,851
Cash at bank and in hand	7,672
Creditors	(419,825)
	<u>167,677</u>
Profit on disposal	1,115,340
Goodwill on acquisition of minority interest	371,280
	<u>1,654,297</u>
Satisfied by	
Cash	<u>1,654,297</u>

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

1 Accounting Policies

The have been no changes in accounting policies during the year.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable Accounting Standards. The financial statements adopt the following accounting policies:

Basis of Consolidation

The consolidated financial statements include the accounts of the holding company and all its subsidiaries and associates. Goodwill arising on consolidation and representing the excess of purchase price over the fair value of the net assets acquired is amortised over five years.

Turnover

Turnover represents sales of properties held as trading stock and rents received.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except investment properties, over their expected useful lives. It is calculated on the original cost of the assets at the following rate:

Furniture, Fixtures and Fittings	- 10% per annum on net book value
Motor Vehicles	- 25% per annum on net book value

Purchased Goodwill

Goodwill is the excess of purchase consideration over their value of net assets acquired.

It is capitalised and amortised over its estimated useful economic life limited up to a maximum period of five years

Additional goodwill arising during the year has been written off to the profit and loss account.

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

1 Accounting Policies (continued)

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. The directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Stocks and Work in Progress

Stocks and Work in Progress are valued at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Deferred Taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the foreseeable future.

Tax losses arising in group companies which remain unrelieved at the year end are treated as a timing difference, as in the view of the directors these losses will be utilised against profits anticipated to arise in the foreseeable future.

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

2 Turnover and profits analysis by activity

	Turnover		Profit on ordinary activities before taxation	
	1998	1997	1998	1997
	£	£	£	£
Group				
Sales of properties	3,331,004	627,505	1,623,384	475,639
Rent receivable	313,796	649,624	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
£	<u>3,644,800</u>	£ <u>1,277,129</u>	£ <u>1,623,384</u>	£ <u>475,639</u>
Company				
Sales of properties	£ <u>1,285,852</u>	£ <u>464,825</u>	£ <u>292,835</u>	£ <u>319,959</u>

3 Operating profit

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
After charging:				
Amortisation	20,292	38,503	-	-
Depreciation	9,237	10,784	1,906	2,118
Auditors' Remuneration	<u>24,765</u>	<u>18,500</u>	<u>9,429</u>	<u>8,000</u>
After crediting:				
Joint Venture Profits	<u>22,556</u>	<u>58,567</u>	<u>22,556</u>	<u>58,567</u>

4 Profit on sale of investment properties

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Profit on sale of freehold property against opening valuation	<u>436,260</u>	<u>206,460</u>	<u>-</u>	<u>-</u>
Realised on investment property against historical cost	<u>597,240</u>	<u>206,460</u>	<u>-</u>	<u>-</u>

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

5	Interest payable	Group		Company	
		1998	1997	1998	1997
		£	£	£	£
	Bank loans and overdrafts	372,613	358,445	274,297	241,273
	Other loans	5,920	37,593	5,920	37,593
	Interest on Corporation Tax	1,037	6,171	-	-
		<u>£ 379,570</u>	<u>£ 402,209</u>	<u>£ 280,217</u>	<u>£ 278,866</u>

6	Staff costs	Group		Company	
		1998	1997	1998	1997
		£	£	£	£
	Wages and salaries	330,033	112,318	263,143	49,011
	Social security costs	34,880	12,013	29,589	4,698
		<u>£ 364,913</u>	<u>£ 124,331</u>	<u>£ 292,732</u>	<u>£ 53,709</u>

The average weekly number of employees during the year was as follows:

	Group		Company	
	1998	1997	1998	1997
Office and management	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>

The above costs represent the group's proportion of the total wages.

The charge above represents the proportion attributable to the company as part of the group.

7	Taxation	Group		Company	
		1998	1997	1998	1997
		£	£	£	£
	UK Corporation Tax at 31% (1997 31.5%)	333,509	196,584	48,249	12,688
	(Over) / under provisions in previous years	(49,747)	35	-	1,389
	Share of associated undertakings Tax	(5,130)	-	-	-
		<u>£ 278,632</u>	<u>£ 196,619</u>	<u>£ 48,249</u>	<u>£ 14,077</u>

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

8 Intangible fixed assets - group

Goodwill on consolidation

Cost:	£
At 1st January 1998	301,672
Additions	1,702
Disposals	<u>(65,754)</u>
At 31st December 1998	<u>237,620</u>
Amortisation:	
At 1st January 1998	283,082
Charge for the year	20,292
Eliminated on disposal	<u>(65,754)</u>
At 31st December 1998	£ <u>237,620</u>
Net book value at 31st December 1998	£ <u>-</u>
Net book value at 31st December 1997	£ <u>18,590</u>

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

9 a. Tangible fixed assets - group

	Freehold investment properties	Furniture, fixtures & fittings	Motor vehicles	Total
Cost:	£	£	£	£
At 1st January 1998	3,148,878	102,977	33,296	3,285,151
Disposal of group undertakings	(88,182)	-	-	(88,182)
Additions	487,613	3,703	-	491,316
Revaluation	(55,322)	-	-	(55,322)
Disposal	(678,049)	-	-	(678,049)
At 31st December 1998	£ <u>2,814,938</u>	£ <u>106,680</u>	£ <u>33,296</u>	£ <u>2,954,914</u>
Depreciation:				
At 1st January 1998	-	56,299	16,504	72,803
Provided for the year	-	5,039	4,198	9,237
At 31st December 1998	£ <u>-</u>	£ <u>61,338</u>	£ <u>20,702</u>	£ <u>82,040</u>
Net Book Value at				
31st December 1998	£ <u>2,814,938</u>	£ <u>45,342</u>	£ <u>12,594</u>	£ <u>2,872,874</u>
31st December 1997	£ <u>3,148,878</u>	£ <u>46,678</u>	£ <u>16,792</u>	£ <u>3,212,348</u>

The freehold investment properties were valued on an open market basis as between a willing buyer and a willing seller by the directors of the group.

9 b. Tangible fixed assets - company

	Fixtures & fittings
Cost:	
At 1st January 1998 and at 31st December 1998	£ <u>55,573</u>
Depreciation:	
At 1st January 1998	36,508
Charge for the year	1,906
At 31st December 1998	£ <u>38,414</u>
Net Book Value at 31st December 1998	£ <u>17,159</u>
Net Book Value at 31st December 1997	£ <u>19,065</u>

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

10 a. Investments - group

	Listed investments	Associated companies	Total
	£	£	£
At 1st January 1998	340	44,592	44,932
Acquisitions of group undertakings	1,200	-	1,200
Share of losses for the year	-	(10,088)	(10,088)
Reclassified as a subsidiary undertaking	-	(34,504)	(34,504)
	<u> </u>	<u> </u>	<u> </u>
At 31st December 1998	£ 1,540	£ -	£ 1,540

10 b. Investments - Company

	Subidiary undertakings	Associated companies	Total
At 1st January 1998	6,778,982	40	6,779,022
Additions	1,355,002	-	1,355,002
Disposals	(2,043,383)	-	(2,043,383)
	<u> </u>	<u> </u>	<u> </u>
At 31st December 1998	£ 6,090,601	£ 40	£ 6,090,641

Provision for surplus/reduction in cost of investment:

At 1st January 1998	1,509,658	-	1,509,658
Arising in the year	-	-	-
- surpluses	(702,045)	-	(702,045)
- reductions	<u> </u>	<u> </u>	<u> </u>
At 31st December 1998	£ 807,613	£ -	£ 807,613
	<u> </u>	<u> </u>	<u> </u>
Net book value at 31st December 1998	£ 5,282,988	£ 40	£ 5,283,028
	<u> </u>	<u> </u>	<u> </u>
Net book value at 31st December 1997	£ 5,269,324	£ 40	£ 5,269,364
	<u> </u>	<u> </u>	<u> </u>

Provision relates to surplus and reduction of the cost of investment to net assets attributable to the company.

During the year, the company disposed of its entire interest in Denetower Limited, after acquiring the 25% it did not own from the director, Matthew Martin Slane.

The company also resolved to have its subsidiary, Totteridge House Limited, struck off the register.

The company acquired Halterstone Limited and Happy Homes Limited from the director, Peter Laurence Murphy. The company also acquired Canaryridge Limited from C & G Properties Plc, a company under the control of Peter Laurence Murphy. The acquisitions were by way of a share allotment in Knightspur Properties Plc.

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

10 c. Knightspur Properties Plc holds the following interests in the equity capital of the undertakings indicated below:

Name of company	Country of registration	Holdings	Proportion held
Trading Companies			
Gardenstate Properties Limited	England	Ordinary shares	100%
Halterstone Limited	England	Ordinary shares	100%
Happy Homes M25 Limited	England	Ordinary shares	100%
Totteridge Common Limited	England	Ordinary shares	90%
Investment Companies			
B & C Flats Limited	England	Ordinary Shares	100%
Bremysyde Properties Limited	England	Ordinary Shares	93%
Douvale Limited	England	Ordinary Shares	100%
J W Coleman Estate Limited	England	Ordinary Shares	100%
Roundpoll Limited	England	Ordinary Shares	100%
Sumcounty Investments Limited	England	Ordinary Shares	100%
Invicta Holdings Limited	England	Ordinary Shares	85%
Wards Properties Limited	England	Ordinary Shares	100%
Wards Properties (Clacton) Limited	England	Ordinary Shares	100%
Tridentvale Limited	England	Ordinary Shares	100%
M25 Holdings Limited (formerly Yearvale Limited)	England	Ordinary Shares	75%
M25 Estates Limited	England	Ordinary Shares	40%
M25 Investments Limited	England	Ordinary Shares	100%
Dormant Companies			
Canaryridge Limited	England	Ordinary Shares	100%
Turner Financial Services Limited	England	Ordinary Shares	100%
Stimpson (Investments) Limited	England	Ordinary Shares	100%

11 Stocks

	Group		Company	
	1998	1997	1998	1997
Stock of properties	£ <u>3,371,631</u>	£ <u>2,864,589</u>	£ <u>2,145,703</u>	£ <u>1,224,964</u>

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

12 Debtors: falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	196,082	149,467	-	102,783
Other debtors (note 21)	493,908	593,080	284,795	358,135
Amounts owed by group undertakings	-	-	655,151	1,882,889
Amounts owed by joint ventures	880,451	-	919,082	-
Prepayment and accrued income	142,856	195,429	105,689	120,594
Dividend	-	-	82,500	225,000
	<u>£ 1,713,297</u>	<u>£ 937,976</u>	<u>£ 2,047,217</u>	<u>£ 2,689,401</u>

Amounts owed by group undertakings are net of provision against amounts due from a fellow group company.

13 Creditors: falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans and overdrafts	1,938,205	1,206,630	971,966	972,685
Trade creditors	97,828	144,120	-	-
Other creditors (note 21)	1,083,688	297,687	333,093	276,456
Amounts owed to joint ventures	339,875	369,025	339,875	311,646
Corporation Tax	680,428	268,721	48,175	39,343
Other taxes and social security costs	1,705	8,208	714	2,012
Amount owed to subsidiary undertakings	-	-	4,971,517	4,138,502
Amount owed to associated undertakings	-	197,107	-	197,107
Accruals	848,080	77,692	421,917	45,393
	<u>£ 4,989,809</u>	<u>£ 2,569,190</u>	<u>£ 7,087,257</u>	<u>£ 5,983,144</u>

The bank loans and overdrafts are secured by way of legal mortgages over land and buildings (both freehold and leasehold) owned by the company and its subsidiary undertakings.

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

14 Creditors: falling due after more than one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
10.5 % unsecured loan	-	150,000	-	150,000
Bank loan repayable between				
- one and two years	245,000	302,152	155,000	155,000
- two and five years	735,000	820,664	465,000	465,000
- after more than five years	1,065,000	1,310,000	772,500	927,500
	<u>£ 2,045,000</u>	<u>£ 2,582,816</u>	<u>£ 1,392,500</u>	<u>£ 1,697,500</u>

The long term treasury bank loans are secured by a fixed and floating charge over the investment properties and closing stock of the group. Interest is fixed at 10.31% p.a. until 28th February 2002.

The medium term bank loans are secured on the group's stock of properties and guarantee from the company with interest of 3% above libor.

15 Share capital

	Number of ordinary shares	£
Authorised		
At 1 January 1998 and 31 December 1998 (£1 ordinary)	3,000,000	3,000,000
Allotted, called up and fully paid		
At 1 January 1998	1,718,394	1,718,394
Allotment - for acquisition of subsidiary undertakings	<u>381,668</u>	<u>381,668</u>
At 31 December 1998	<u>2,100,062</u>	<u>2,100,062</u>

16 Share premium account

	Group		Company	
	1998	1997	1998	1997
At 1 January 1998	251,278	251,278	251,278	251,278
Shares allotted	<u>370,134</u>	<u>-</u>	<u>370,134</u>	<u>-</u>
At 31 December 1998	<u>621,412</u>	<u>251,278</u>	<u>621,412</u>	<u>251,278</u>

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

17 Investment revaluation reserves

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
At 1st January 1998	165,491	165,491	1,887,061	1,711,785
Revaluation of investment properties in year	-	-	-	175,276
Reduction in provision against investment in group companies	-	-	702,045	-
Transfer to profit and loss reserve	(160,980)	-	-	-
At 31st December 1998	£ 4,511	£ 165,491	£ 2,589,106	£ 1,887,061

18 Capital reserves

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
At 1st January 1998	403,577	403,577	1,109	1,109
Movement in year	83,722	-	-	-
At 31st December 1998	£ 487,299	£ 403,577	£ 1,109	£ 1,109

19 Profit and loss account

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
At 1st January 1998	(533,311)	(741,031)	(1,711,756)	(1,914,586)
Profit for the year	1,355,016	207,720	244,586	305,882
Transfer from revaluation reserve	160,980	-	-	-
Provision against value of investments (note 10b)	-	-	-	(156,681)
Provision against amount due from group company (note 12)	-	-	-	53,629
At 31st December 1998	£ 982,685	£ (533,311)	£ (1,467,170)	£ (1,711,756)

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

20 Contingent liabilities

In connection with overall banking facilities, unlimited guarantees have been given by the company, to support the borrowings of subsidiary and associated undertakings. The amount of the contingent liability under these guarantees is constantly changing due to day to day movements on the bank accounts but should not exceed the overall facilities granted to the companies involved amounting to £nil at the date of these financial statements (1997: £1,257,408).

21 Related party transactions

- a. Included under other debtors are amounts due as follows:

	Group		Company	
	1998	1997	1998	1997
i) From companies under common control	£ <u>172,219</u>	£ <u>163,516</u>	£ <u>152,499</u>	£ <u>53,588</u>
ii) From other connected companies	£ <u>1,597</u>	£ <u>332,349</u>	£ <u>-</u>	£ <u>227,525</u>

- b. The group disposed of its leasehold interests in four properties to Delaway Limited, a company of which Matthew Martin Slane is a director. The total consideration receivable from Delaway Limited amounted to £1,502.
- c. Totteridge Common Limited, a subsidiary of Knightspur Properties Plc, granted an option after the year end to the director, Peter Laurence Murphy, to acquire a plot of land at an exercise price of £550,000.
- d. Related party transactions in respect of acquisition and disposal of subsidiary undertakings are disclosed under note 10b.

Knightspur Properties Plc

Notes forming part of the financial statements for the year ended 31st December 1998

22 Reconciliation of movements in shareholders' funds

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Profit for the financial year	1,355,016	207,720	244,586	305,882
Reduction in provision against investment in group companies	-	-	702,045	-
Shares allotted for acquisitions	751,802		751,802	-
Net provision against value of investments (note 10 b)	-	-	-	18,595
Provision against amount due from group company (note 12)	-	-	-	53,629
Transfer to capital reserves	83,722	-	-	-
Net addition to shareholders' funds	2,190,540	207,720	1,698,433	378,106
Opening shareholders' funds	2,005,429	1,797,709	2,146,086	1,767,980
Closing shareholders' funds	£ 4,195,969	£ 2,005,429	£ 3,844,519	£ 2,146,086

22 Directors' emoluments - group and company

	1998	1997
Emoluments for qualifying services	<u>200,000</u>	<u>-</u>

Emoluments disclosed above relate entirely to the highest paid director.