

# WALLS & FUTURES

Walls & Futures REIT plc  
Annual Report and Account  
For the period ending 31 March 2017



Investing in property today Providing support for tomorrow

# **Contents of the consolidated financial statements for the period 18 March 2016 to 31 March 2017**

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# Company information

## Directors

J K McTaggart

D P White

P A Wylie

## Secretary

D K Papworth

## Registered office

3rd Floor

111 Buckingham Palace Road

London

SW1W 0SR

## Registered number

10071765 (England and Wales)

## Auditors

Kingston Smith LLP

Devonshire House

60 Goswell Road

London

EC1M 7AD

# Group Strategic Report

## Strategic Report for Walls & Futures REIT plc

Walls & Futures REIT plc is a property investment company with REIT status. The Company's focus is on providing sustainable income with long term capital growth by investing in and developing residential property.

This is the Company's and Group's maiden annual report which is for the period ended 31st March 2017.

### Overview & strategy

Following the restructure of the Walls & Futures London Growth Fund, the Company's shares were successfully admitted to trading on the NEX Exchange Growth Market in November 2016. As part of the admission the Company raised £1.025m in new equity.

As a result of the costs associated with the restructure and admission, the Group has posted a loss for the period of £314,497 of which £202,333 are exceptional items.

The current portfolio consists of properties transferred from the London Growth Fund which are located in Southfields and Wimbledon (South West London). They were originally acquired and redeveloped with the aim of generating capital growth.

However, in order to deliver on its investment focus, its strategy has evolved to building a portfolio of high yielding residential properties that offer secure income from high quality tenants. The properties will ideally be let on long leases with rents increasing in line with inflation in order to provide an element of predictable growth.

While the London Private Rented Sector (PRS) has many attractive qualities, the directors feel the UK Social Housing Sector with properties let to Registered Social Landlords will make for an improved investment outcome. The initial focus will be Supported Housing, however as the Group scales, it may expand to Extra Care and General Needs.

### Key performance indicators

The capital value of the company's London PRS portfolio fell by £30,000. This was inline with expectations and with the slowdown currently being experienced in the London property market. The directors do not expect values to increase in the short term and there is a possibility that they could soften further. This reinforces the decision to invest in the UK Social Housing Sector.

### Post balance sheet event

On 4th May 2017, the Company completed on the purchase of a grade two listed building, in the Cotswold market town of Stroud, for £475,000. The property is let on a 25-year full repairing and insuring lease, with rents adjusted annually in line with inflation (CPI), to one of the UK's leading care providers.

The acquisition is the first in the supported housing sector and illustrates the new investment focus. The financial benefits will be seen in the next report.

### **Principle Risks & Uncertainties**

The Group portfolio is exclusively invested in the UK and therefore exposed to the risks and uncertainties of the UK economy.

The value of the properties are subject to fluctuating market conditions and may be affected by consumer confidence, the performance of the UK economy and liquidity in the market.

Although the Group does not have any borrowings and is therefore not currently exposed to interest rate risk, it has an ongoing requirement to fund its activities through the equity markets and in the future to obtain finance for property acquisitions. There is no certainty that such funds will be available when needed and thus inhibit growth.

### **Risk management**

The success of the Group is predicated on increasing the size of the portfolio, which would be at risk without further capital. In order to mitigate this, the directors will be engaged in regular fund raising.

### **Outlook**

Admission to the NEX Exchange Growth Market and achieving REIT status has provided a platform on which the management team can build a successful property company providing sustainable income with long term capital growth. The directors will continue to seek out further out further investments in line with the investment strategy and are actively developing a pipeline of new opportunities.

### **On behalf of the board:**

J K McTaggart - Director

24 August 2017

## Report of the Directors

The directors present their report with the financial statements of the company and the group for the period 18 March 2016 to 31 March 2017.

### Commencement of trading

The company commenced trading on the 1st April 2016.

### Dividends

No dividends will be distributed for the period ended 31 March 2017.

### Events since the end of the period

Information relating to events since the end of the period is given in the notes to the financial statements.

### Directors

The directors shown below have held office during the whole of the period from 18 March 2017 to the date of this report.

J K McTaggart - appointed 14 June 2016

D P White - appointed 14 June 2016

P A Wylie - appointed 28 July 2016

D K Papworth - appointed 18 March 2016 - resigned 14 June 2016

T H G Lyle - appointed 18 March 2016 - resigned 14 June 2016

### Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**Auditors**

The auditors, Kingston Smith LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

J K McTaggart - Director

24 August 2017

## Report of the independent auditors

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Sutcliffe (Senior Statutory Auditor)  
for and on behalf of Kingston Smith LLP, Statutory Auditor

22 August 2017

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

## Consolidated Income Statement

For the period 18 March 2016 to 31 March 2017

	Notes	£
<b>Turnover</b>	3	45,400
Cost of sales		15,461
<b>Gross Profit</b>		29,939
Loss on revaluation of investment property		30,000
Administrative expenses		112,342
<b>Operating Loss</b>	5	(112,403)
Cost of fundamental reorganisation	6	202,333
		(314,736)
Interest receivable and similar income		22
		(314,714)
Interest payable and similar income	7	2
<b>Loss before taxation</b>		(314,716)
Tax on loss	8	(219)
<b>Loss for the financial period</b>		(314,497)
Loss attributable to: Owners of the parent		(314,497)

The notes form part of these financial statements

## Consolidated Other Comprehensive Income

For the period 18 March 2016 to 31 March 2017

	Notes	£
<b>Loss for the period</b>		(314,497)
<b>Other comprehensive income</b>		
Gain on bargain purchase		2,509
Income tax relating to other comprehensive income		-
<b>Other comprehensive income for the period, net of income tax</b>		2,509
<b>Total Comprehensive income for the period</b>		-311,988
Total Comprehensive income attributable to: Owners of the parent		-311,988
<b>Basic earnings per share</b>	21	(0.17)

The notes form part of these financial statements

## Consolidated Statement of Financial Position

31 March 2017

	Notes	£	£
<b>Fixed assets</b>	10		-
Cost of sales	11		2,150,000
			<hr/> 2,150,000
<b>Current assets</b>			
Debtors	12	4,749	
Cash at bank		842,911	
		<hr/> 847,660	
<b>Creditors</b>			
Amounts falling due within one year	13	19,423	
		<hr/>	
<b>Net current assets</b>			828,237
Total assets less current liabilities			<hr/> 2,978,237
<b>Capital and reserves</b>			
Called up share capital	15		164,511
Share premium	16		3,125,714
Retained earnings	16		(311,988)
			<hr/>
<b>Shareholders' funds</b>	18		2,978,237
			<hr/>

The financial statements were approved by the Board of Directors on 24 August 2017 and were signed on its behalf by:

J K McTaggart - Director

D P White - Director

The notes form part of these financial statements

## Company Statement of Financial Position

31 March 2017

	Notes	£	£
<b>Fixed assets</b>	10		200
Cost of sales	11		2,150,000
			<hr/> 2,150,200
<b>Current assets</b>			
Debtors	12	3,579	
Cash at bank		842,008	
		<hr/> 845,587	
<b>Creditors</b>			
Amounts falling due within one year	13	18,817	
		<hr/>	
<b>Net current assets</b>			826,770
Total assets less current liabilities			<hr/> 2,976,970
<b>Capital and reserves</b>			
Called up share capital	15		164,511
Share premium	16		3,125,714
Retained earnings	16		(313,255)
			<hr/>
<b>Shareholders' funds</b>	18		2,976,970
			<hr/>

The financial statements were approved by the Board of Directors on 24 August 2017 and were signed on its behalf by:

J K McTaggart - Director

D P White - Director

The notes form part of these financial statements

## Consolidated Statement of Changes in Equity

For the period 18 March 2016 to 31 March 2017

	Called up share capital £	Retained earnings £	Share premium £	Total Equity £
<b>Changes in equity</b>				-
Issue of share capital	164,511	-	3,125,714	3,290,225
Total comprehensive income	-	(311,988)	-	(311,988)
<b>Balance at 31 March 2017</b>	164,511	(311,988)	3,125,714	2,978,237

## Company Statement of Changes in Equity

For the period 18 March 2016 to 31 March 2017

	Called up share capital £	Retained earnings £	Share premium £	Total Equity £
<b>Changes in equity</b>				-
Issue of share capital	164,511	-	3,125,714	3,290,225
Total comprehensive income	-	(313,255)	-	(313,255)
<b>Balance at 31 March 2017</b>	164,511	(313,255)	3,125,714	2,976,970

The notes form part of these financial statements

## Consolidated Statement of Cash Flows

For the period 18 March 2016 to 31 March 2017

	Notes	£
<b>Cash flow from operating activities</b>		
Cash used in operations	1	(268,115)
Interest paid		(2)
Tax paid		781
Net cash outflow from operating activities		<u>(267,336)</u>
<b>Cash flow from operating activities</b>		
Interest received		22
Net cash in flow from investing activities		22
<b>Cash flow from financing activities</b>		
Share issue		<u>1,110,225</u>
Net cash outflow from financing activities		<u>1,110,225</u>
<b>Increase in cash and cash equivalents</b>		842,911
<b>Cash and cash equivalents at beginning of period</b>	2	<u>-</u>
<b>Cash and cash equivalents at beginning of period</b>	2	<u>842,911</u>

The notes form part of these financial statements

## Notes to the consolidated statement of cash flows

For the period 18 March 2016 to 31 March 2017

### 1. Reconciliation of loss before taxation to cash generated from operations

	£
Loss before taxation	(313,726)
Loss on revaluation of fixed assets	30,000
Gain on bargain purchase	2,509
Finance costs	2
Finance income	(22)
	<hr/>
	(282,227)
Increase in trade and other debtors	(4,749)
Increase in trade and other creditors	18,861
	<hr/>
<b>Cash generated from operations</b>	<b>(268,115)</b>
	<hr/>

### 2. Cash and cash equivalents

The amounts disclosed on the Consolidated statement of cash flows in respect of cash and cash equivalents are in respect of these Statement of financial positions amounts:

#### Period ended 31 March 2017

	31/03/2017
	£
Cash and cash equivalents	<hr/> <b>842,911</b>

The notes form part of these financial statements

## Notes to the consolidated financial statements

For the period 18 March 2016 to 31 March 2017

### 1. Statutory information

Walls & Futures REIT plc is a public company, registered in England and Wales. The company's registered number and registered office can be found on the General Information page.

### 2. Accounting Policies

#### Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared on the historical cost convention, modified to include investment properties at fair value.

The financial statements are preparing in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £313,255.

#### Turnover

Rent receivables are recognised over the lease terms on a straight line basis, inclusive of Value Added Tax. Rent-reduced periods are amortised across the duration of the lease.

#### Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

#### Basis of consolidation

The consolidated financial statements incorporate those of Walls & Futures REIT plc and all of its trading subsidiaries. Subsidiaries acquired during the year are consolidated using the purchase method. All financial statements are made up to 31 March 2017.

#### Financial instruments

##### *Basic financial assets*

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

##### *Basic financial liabilities*

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

#### Critical accounting judgements and estimates

There are no critical accounting judgement or estimates.

#### Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**3. Turnover**

The turnover and loss before taxation are attributable to the one principal activity of the group. An analysis of turnover by class of business is given below:

	£
UK Property income	45,400
	<hr/>
	45,400
	<hr/>

**4. Employees and directors**

The turnover and loss before taxation are attributable to the one principal activity of the group. An analysis of turnover by class of business is given below:

	£
Wages and salaries	42,030
Social security costs	854
	<hr/>
The average monthly number of employees during the period was as follows	
Managment	3
	£
Director's remuneration	42,030

**5. Operating loss**

The operating loss is stated after charging:

	£
Auditors' remuneration	11,880
Operating lease rentals	7,170
	<hr/>

**6. Exceptional items**

	<b>£</b>
Cost of fundamental reorganisation	(202,333)

Exceptional items relate to the costs of restructuring the company into new public limited company and admission to the NEX Exchange Growth Market.

**7. Interest payable and similar expenses**

	<b>£</b>
Interest on late tax	2

**8. Taxation****Analysis of the tax credit**

The tax credit on the loss for the period was as follows

Current tax:	<b>£</b>
UK corporation tax	(219)
Tax on loss	<b>(219)</b>

Tax effects relation to effects of other comprehensive income

	Gross £	Tax £	Net £
Gain on bargain purchase	<b>2,509</b>	-	<b>2,509</b>

**9. Individual income statement**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

**10. Fixed asset investment**

<b>Company</b>	<b>Unlisted investments £</b>
COST	
Additions	200
At 31 March 2017	200
NET BOOK VALUE	
At 31 March 2017	<b>200</b>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

#### Subsidiaries

##### **Walls & Futures Ltd**

Registered office: 3rd Floor, 111 Buckingham Palace Road, London, SW1W 0SR

Nature of business: Property Management

	<b>% holding</b>
Class of shares:	
Ordinary	100.00

##### **Walls & Futures (LP) Ltd**

Registered office: 3rd Floor, 111 Buckingham Palace Road, London, SW1W 0SR

Nature of business: Investment Company

	<b>% holding</b>
Class of shares:	
Ordinary	100.00

##### **Walls & Futures (GP) Ltd**

Registered office: 3rd Floor, 111 Buckingham Palace Road, London, SW1W 0SR

Nature of business: Investment Company

	<b>% holding</b>
Class of shares:	
Ordinary	100.00

All of the subsidiaries have taken advantage of the audit exemption available in Section 479 of the Companies Act.

## 11. Investment Property

<b>Group</b>	<b>Total £</b>
<b>FAIR VALUE</b>	
Additions	2,180,000
Impairments	(30,000)
	<hr/>
At 31 March 2017	<b>2,150,000</b>
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 March 2017	<b>2,150,000</b>

The properties are value at fair value. The valuation at the year end was carried out by Clarges Limited, professional valuers. In the year there was a reduction in the fair value by £30,000 included the Income Statement. The historic cost of the properties is £2,180,000

<b>Company</b>	<b>Total £</b>
<b>FAIR VALUE</b>	
Additions	2,180,000
Impairments	(30,000)
At 31 March 2017	<b>2,150,000</b>
<b>NET BOOK VALUE</b>	
At 31 March 2017	<b>2,150,000</b>

The properties are value at fair value. The valuation at the year end was carried out by Clarges Limited, professional valuers. In the year there was a reduction in the fair value by £30,000 included the Income Statement. The historic cost of the properties is £2,180,000

## 12. Debtors: Amounts falling due within one year

	<b>Group £</b>	<b>Company £</b>
Other debtors	3,366	3,100
VAT	904	-
Prepayments	479	479
Gain on bargain purchase	<b>4,749</b>	<b>3,579</b>

## 13. Creditors: Amounts falling due within one year

	<b>Group £</b>	<b>Company £</b>
Bank loans an overdrafts	-	15
Tax	562	-
Social security and other taxes	3,008	3,009
Other creditors	60	-
Accrued expenses	15,793	15,793
	<b>19,423</b>	<b>18,817</b>

## 14. Leasing agreements

Minimum lease payments fall due as follows:

<b>Group</b>	<b>Non-cancellable operating lease £</b>
Within one year	<b>12,103</b>
2-5 years	<b>6,199</b>

<b>Company</b>	<b>Non-cancellable operating lease £</b>
Within one year	<b>12,103</b>
2-5 years	<b>6,199</b>

**15. Called up share capital**

Allotted, issued and fully paid:

Number	Class:	Nominal value	£
3,290,225	Ordinary Shares	5p	<b>164,511</b>

The company was incorporated on 18 March 2016 as City & Merchant Shelf 6 Limited. On incorporation, 2 ordinary shares of £0.01 each were issued at par.

On 14 June 2016, 3 ordinary shares of £0.01 each were issued at par. The issued share were consolidated into 1 ordinary share of £0.05 each and a further 75,049 ordinary shares of £0.05 were issued at a price of £1.00 per share.

On 25 July 2016, the company re-registered from a private to a public limited company and changed its name to Walls & Futures REIT plc, 2,190,175 ordinary shares of £0.05 each were issued at a price of £1.00 per share.

On 29 November 2016, 1,025,000 ordinary share of £0.05 each were issued at a price of £1.00 per share.

**16. Reserves**

<b>Group</b>	<b>Retained earnings £</b>	<b>Share premium £</b>	<b>Totals £</b>
Deficit for the period	(314,497)	-	(314,497)
Cash share issue	-	3,125,714	3,125,714
Gain on bargain purchase	2,509	-	2,509
At 31 March 2017	<b>(311,988)</b>	<b>3,125,714</b>	<b>2,813,726</b>

<b>Company</b>	<b>Retained earnings £</b>	<b>Share premium £</b>	<b>Totals £</b>
Deficit for the period	(313,255)	-	(313,255)
Cash share issue	-	3,125,714	3,125,714
At 31 March 2017	<b>(313,255)</b>	<b>3,125,714</b>	<b>2,812,459</b>

**17. Post balance sheet events**

Subsequent to the year end, the company completed the purchase of an investment property for the consideration of £475,000.

**18. Reconciliation of movements in shareholders' funds**

<b>Group</b>	<b>£</b>
Loss for the financial period	(314,497)
Other comprehensive income relation to the period (net)	2,509
Shares Issued	3,290,225
<b>Net addition to shareholders' funds</b>	<b>2,978,237</b>
Equity interests	2,978,237
<b>Company</b>	<b>£</b>
Loss for the financial period	(313,255)
Shares Issued	3,290,225
<b>Net addition to shareholders' funds</b>	<b>2,978,970</b>
Opening shareholders' funds	-
Closing shareholders' funds	<b>2,976,970</b>
Equity interests	2,976,970

**19. Related party transactions**

During the year, the group made payments of £7,445 to Wigmore Jones Limited, a company controlled by one of the directors, for the provision of residential lettings management services. Payments were made on a commercial basis and there were no balances outstanding at the year end.

**20. Financial instruments**

	<b>2017</b>
	<b>£</b>
<b>Carrying amount of financial assets</b>	
Debit instruments measured at amortised cost	3,366
<b>Carrying amount of financial liabilities</b>	
Measured at amortised cost	15,853

**21. Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	<b>2017</b>
Loss attributable to equity holders of the company (£)	(311,988)
Weighted average number of ordinary shares in issue	1,834,982
Basic and diluted earnings per share (£)	(0.17)

The company has 43,485 warrants in existence which are exercisable at £1 each on or before 30th September 2002. Basic earnings per share is equal to diluted earnings per share because the warrants are anti-dilutive. At the time of reporting, there were no post year end share issues.

**22. Dividends**

No dividends are paid on account of the loss in the period.