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THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

Report and financial statements
for the year ended 30th September 1986



THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the financial statements for the year ended 30th September 1986.

RESULTS

The results for the year are set out on page 4.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were those of property investment and trading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The company was acquired by Grainger Trust p.l.c. on 20th February 1986. Subsequently all of the company's properties were transferred at fair value to Grainger Trust p.l.c. and its subsidiary Northumberland & Durham Property Trust Limited. It is not anticipated that the company will resume trading in the immediate future.

DIRECTORS

The directors holding office during the year were:-

I.J. Dickinson	(Appointed as temporary director for a period of 2 months on 21st February 1986, appointed on a non-temporary basis 28th August 1986)
S. Dickinson	(Appointed as temporary director for a period of 2 months on 21st February 1986, appointed on a non-temporary basis 28th August 1986)
R.H. Dickinson	
Sir Richard T. Pease, Bart.	(Resigned 21st February 1986)
T.B. Taylor	(Resigned 21st February 1986)
J. Fewster	(Resigned 21st February 1986)
R.J. Rimington	(Resigned 21st February 1986)
G. Davis	(Appointed and resigned 28th August 1986)
G. Holland	(Appointed and resigned 28th August 1986)

In accordance with the company's articles of association Mr. S. Dickinson and Mr. R.H. Dickinson retire by rotation and offer themselves for re-election.

The directors have no beneficial interest in the share capital of the company.

The beneficial interests of Mr. I.J. Dickinson, Mr. S. Dickinson and Mr. R.H. Dickinson in the shares of the ultimate holding company, Grainger Trust p.l.c. are shown in the annual report of Grainger Trust p.l.c.

Mr. I.J. Dickinson and Mr. R.H. Dickinson are partners in Dickinson Dees the company's legal advisers. In the opinion of the other directors the interests of Mr. I.J. Dickinson and Mr. R.H. Dickinson in the provision of legal services to the company by Dickinson Dees are not material for the purposes of Section 232 of the Companies Act 1985.

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

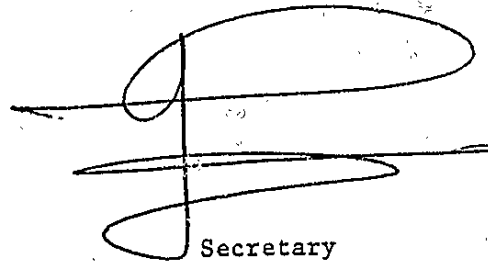
DIRECTORS' REPORT (continued)

AUDITORS

Peat, Marwick, Mitchell & Co., resigned as auditors to the company on the 21st February 1986 and the ultimate holding company's auditors Deloitte Haskins & Sells were appointed by the directors in their place.

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above the word 'Secretary'.

Secretary

30th January 1987

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

AUDITORS' REPORT

We have audited the financial statements on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30th September 1986 and of its profit and source and application of funds for the year ended and comply with the Companies Act 1985.

Durbin Hastings & Sons
Chartered Accountants

Newcastle upon Tyne
30th January 1987

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1985 £		£	1986 £	NOTES
263,548	Gross rentals		170,501	
395,192	Trading profits		433,577	
234,095	Investment income		34,867	(1)
<u>892,835</u>			<u>638,945</u>	
	Less:			
34,970	Property expenses	18,044		
97,733	Management expenses	77,768		
<u>132,703</u>			<u>95,812</u>	
760,132	Profit on ordinary activities before taxation		543,133	(2)
90,935	Less: Taxation		153,400	(4)
<u>669,197</u>	Profit on ordinary activities after taxation		<u>389,733</u>	
	Profit after tax on investment property:			
-	On disposals	238,290		
-	On transfers to group companies	430,406		
		<u>668,696</u>		
-	Less: Transfer to capital reserve	(668,696)	-	(13)
<u>669,197</u>			<u>389,733</u>	
84,448	Dividend payable		-	(5)
<u>£ 584,749</u>	Retained profit for the year		<u>£ 389,733</u>	(13)

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

BALANCE SHEET

AT 30TH SEPTEMBER 1986

1985 £		1986 £	NOTES
	ASSETS		
	Fixed Assets		
1,746,755	Tangible assets	-	(6)
180,968	Investments	180,968	(7)
1,927,723		180,968	
	Current Assets		
2,452,485	Debtors	6,118,701	(9)
442,383	Bank and cash	382	
2,894,868		6,119,083	
£ 4,822,591		£ 6,300,051	
	LIABILITIES		
	Capital and reserves		
496,752	Called-up share capital	496,752	(12)
600	Share premium	600	(13)
1,316,687	Revaluation reserve	-	(13)
375,502	Other reserves	963,129	(13)
1,662,652	Profit and loss account	2,052,385	(13)
3,852,193		3,512,866	
	Provision for liabilities and charges		
(4,528)	Deferred taxation	-	(11)
974,926	Creditors		
	Other creditors	2,787,185	(10)
970,398		2,787,185	
£ 4,822,591		£ 6,300,051	

Approved by the Board on 30th January 1987

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) Directors
)

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1985 £		1986 £
	SOURCE OF FUNDS	
760,132	Profit on ordinary activities before taxation	543,133
	Adjustments for items not involving the movement of funds:	
7,679	Depreciation	2,591
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767,811	FUNDS GENERATED FROM OPERATIONS	545,724
	FUNDS FROM OTHER SOURCES	
18,215	Proceeds from sale of tangible fixed assets	1,144,715
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786,026		1,690,439
	APPLICATION OF FUNDS	
32,296	Taxation paid	245,714
84,448	Dividends paid	49,675
7,415	Purchase of fixed assets	14,995
1,199	Purchase of investments	-
-	Professional fees associated with takeover	81,069
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125,358		391,453
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£ 660,668	NET SOURCE OF FUNDS	£ 1,298,986
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NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE IN WORKING CAPITAL:

1,431,690	Increase in debtors	3,666,216
(273,670)	Increase in creditors	(1,925,229)
(497,352)	Decrease in net cash balances	(442,001)
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£ 660,668		£ 1,298,986
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THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

ACCOUNTING POLICIES

a) Basis of accounting

The company prepares its annual report and financial statements on the historical cost basis of accounting including the revaluation of certain assets.

b) Turnover

i) Turnover comprises rentals and trading profit which represents the net profit on properties sold during the year.

ii) Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into formal documentation relating to postponement of consideration.

c) Repairs

All repairs are charged in the year they are incurred except that provision is made to cover work arising from legislative requirements notified prior to the year end and the cost to complete major repair projects in progress at the year end.

d) Trading Properties

Trading properties are shown in the accounts at cost, including legal and surveying charges, incurred during acquisition.

e) Investment Properties

Surpluses on cost on the disposal of investment properties have been transferred to other reserves.

f) Deferred Taxation

Provision is made for deferred taxation at the current rate of taxation except where there is a reasonable probability that no such liability will arise in the foreseeable future.

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1985 £		1986 £
	1. INVESTMENT INCOME	
200,836	Interest receivable	25,661
1,099	Listed investments	252
12,585	Unlisted investments	5,454
19,575	Other income	3,500
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234,095		34,867
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	2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	
	Profit on ordinary activities before taxation is stated after charging:	
6,350	Auditors' remuneration	5,520
7,679	Depreciation	2,591
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	3. DIRECTORS AND EMPLOYEES	
	The average number of persons employed by the group (including directors) during the year, analysed by category was:	
5	Management	5
3	Administration	3
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	The aggregate payroll costs of these persons were as follows:	
46,386	Wages and salaries	25,583
4,472	Social security costs	2,886
8,655	Other pension costs	10,349
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59,513		38,818
-	Redundancy costs	29,469
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59,513		68,287
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THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1985 £		1986 £
3. DIRECTORS AND EMPLOYEES (continued)		
The remuneration paid to directors was:		
-	Fees	7,500
16,375	Other emoluments (including pension contributions)	968
-	Compensation for loss of office	8,050
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16,375		16,518
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Emoluments excluding pension contributions:		
5,250	Chairman and highest paid directors	2,625
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The emoluments of the other directors within the following ranges:-		
5	£0 - £5,000	8
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4. TAXATION		
U.K. corporation tax at 37.5% (1985 - 42.5%):		
202,568	Current	46,128
(8,101)	Deferred	107,270
(Over)/underprovision in respect of prior years:		
(103,532)	Current	2
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90,935		153,400
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5. DIVIDENDS		
34,773	Interim (1985 7p per share)	-
49,675	Final (1985 10p per share)	-
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84,448		-
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THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

6. TANGIBLE FIXED ASSETS

	Investment properties £	Vehicles, fixtures and fittings £	Total £
Cost or valuation:			
At 1st October 1985	1,733,143	31,166	1,764,309
Additions	-	14,995	14,995
Revaluation deficit	(193,916)	-	(193,916)
Transfers to group companies	(984,550)	(17,661)	(1,002,211)
Disposals	(554,677)	(28,500)	(583,177)
	<hr/>	<hr/>	<hr/>
At 30th September 1986	-	-	-
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Depreciation:			
At 1st October 1985	-	17,554	17,554
Charged in year	-	2,591	2,591
Transfers to group companies	-	(5,595)	(5,595)
Disposals	-	(14,550)	(14,550)
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At 30th September 1986	-	-	-
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Net book value:			
At 30th September 1986	-	-	-
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At 30th September 1985	1,733,143	13,612	1,746,755
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Investment properties were revalued by the directors prior to the acquisition of the company by Grainger Trust p.l.c.

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1985 £		1986 £
	7. FIXED ASSET INVESTMENTS (at cost)	
64,432	Subsidiaries	64,432
27,067	Listed investments	27,067
89,469	Unlisted investments	89,469
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180,968		180,968
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Market value of listed investment	65,715
Unlisted investment at directors valuation	370,000
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	435,715
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The company hold more than 10% of the equity of the following companies:

Name	County of incorporation and operation	Description of holding	Proportion held
Subsidiary companies			
O.M.E. Investment Properties Limited	England	Equity Capital	100%
The Cleveland Car Company Limited	England	Equity Capital	100%
Other company			
Cleveland Trust plc	England	Equity Capital	34.6%

8. CAPITAL COMMITMENTS

-	Contracted	-
15,000	Authorised but not contracted	
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THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1985 £		1986 £
9. DEBTORS		
Amounts falling due within one year:		
80,640	Trade debtors	1,438
2,353,942	Amounts owed by group companies	6,117,263
8,857	Amounts owed by related companies	-
3,889	Other debtors	-
1,692	Prepayments and accrued income	-
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2,449,020		6,118,701
Amounts falling due after more than one year:		
3,465	Other debtors	-
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2,452,485		6,118,701
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10. OTHER CREDITORS		
Amounts falling due within one year:		
11,019	Trade creditors	-
677,418	Amounts owed to group companies	2,662,837
49,675	Dividends payable	-
177,394	Corporation tax	114,099
42,559	Other creditors including taxation and social security	-
16,861	Accruals and deferred income	10,249
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974,926		2,787,185
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THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

1985 £		1986 £
	11. DEFERRED TAXATION	
	Deferred taxation has been provided in full and the amounts for which provision has been made, are as follows:	
27,806	Accelerated capital allowances	-
3,174	Surplus on investment property revaluations	-
30,980		
35,508	Less: ACT recoverable	-
(4,528)		-
	The movements on the provision for deferred taxation are as follows:	
	Provision at 1st October 1985	(4,528)
	Provision on respect of gains on investment properties	
	Accelerated capital allowances	115,826
		(8,556)
		107,270
	Reversal of set-off for ACT recoverable	35,508
	Transfer to group companies	(138,250)
	Provision at 30th September 1986	-
	12. SHARE CAPITAL	
	Authorised:	
500,000	500,000 ordinary shares of £1 per share	500,000
	Allotted, called up and fully paid:	
496,752	496,752 ordinary shares of £1 per share	496,752

THE OWNERS OF THE MIDDLESBROUGH ESTATE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1986

13. RESERVES

	Share premium £	Revaluation reserve £	Other reserves £	Profit and loss £
At 1st October 1985	600	1,316,687	375,502	1,662,652
Professional fees relating to takeover	-	-	(81,069)	-
Revaluation deficit	-	(193,916)	-	-
Profit on disposals	-	(306,617)	238,290	-
Profit on transfers to group companies	-	(816,154)	430,406	-
Retained profit for year	-	-	-	389,733
	<u>600</u>	<u>-</u>	<u>963,129</u>	<u>2,052,385</u>

14. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Grainger Trust p.l.c., a company incorporated in England.