

# **Northern Trust Company Limited**

## **Directors' report and financial statements**

**31 March 1997**

Registered number 735621



# Northern Trust Company Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Report of the auditors	3
Profit and loss account	4
Statement of total recognised gains and losses	4
Note of historical cost profits and losses	4
Balance sheet	5
Notes to the financial statements	6-15

# Northern Trust Company Limited

## Directors' report

The directors present their report, together with the financial statements for the year ended 31 March 1997.

### Principal activities

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

### Business review

The company has continued to consolidate its position after acquiring a number of investment properties over the past few years. Increased turnover and lower financing charges has led to an increase in profitability.

### Results and dividends

The profit after taxation attributable to shareholders is £5,132,000 (1996:£3,947,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend (1996: *£nil*).

### Directors

The directors who held office during the year were as follows:

TJ Hemmings (Chairman)

IR Penrose

ML Widders (appointed 1 April 1996)

GP Furlong (resigned 25 October 1996)

W McNab (resigned 30 May 1997)

In accordance with the Articles of Association, IR Penrose retires by rotation and, being eligible, offers himself for re-election.

The interests of Mr TJ Hemmings in the company's ultimate parent company, TJH Group Limited, are disclosed in the financial statements of that company.

No rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

# Northern Trust Company Limited

## Directors' report *(continued)*

### 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 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 will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Auditors

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and KPMG will therefore continue in office.

By order of the board



**PS Freeman**  
*Secretary*

Lynton House  
Ackhurst Park  
CHORLEY  
Lancashire  
PR7 1NY

21 July 1997

Edward VII Quay  
Navigation Way  
Ashton-on-Ribble  
PRESTON  
Lancashire PR2 2YF

## Report of the auditors to the members of Northern Trust Company Limited

We have audited the financial statements on pages 4 to 15.

### *Respective responsibilities of directors and auditors*

As described on page 2, 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.

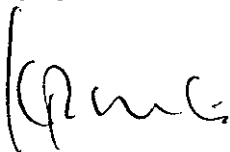
### *Basis of opinion*

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 the affairs of the company as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG**

*Chartered Accountants  
Registered Auditors*

21 July 1997

# Northern Trust Company Limited

## Profit and loss account

for the year ended 31 March 1997

	Note	1997 £000	1996 £000
<b>Turnover</b>		<b>12,802</b>	12,748
Cost of sales		(2,739)	(2,770)
<b>Gross profit</b>		<b>10,063</b>	9,978
Administrative expenses		(691)	(671)
Other operating income	2	1,132	1,796
<b>Operating profit</b>	3	<b>10,504</b>	11,103
Net interest payable	4	(4,672)	(6,386)
<b>Profit on ordinary activities before taxation</b>		<b>5,832</b>	4,717
Taxation on profit on ordinary activities	5	(700)	(770)
<b>Retained profit for the financial year</b>	14	<b>5,132</b>	3,947

All amounts relate to continuing activities.

## Statement of total recognised gains and losses

for the year ended 31 March 1997

	1997 £000	1996 £000
Profit for the financial year	5,132	3,947
Revaluation of investment and other properties	-	75
<b>Total recognised gains for the year</b>	<b>5,132</b>	4,022

## Note of historical cost profit and loss

for the year ended 31 March 1997

	1997 £000	1996 £000
Reported profit on ordinary activities before taxation	5,832	4,717
Realisation of property revaluation gain of previous years	-	25
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	62	63
<b>Historical cost profit on ordinary activities before taxation</b>	<b>5,894</b>	4,805
<b>Historical cost profit for the year retained after taxation</b>	<b>5,194</b>	4,035

# Northern Trust Company Limited

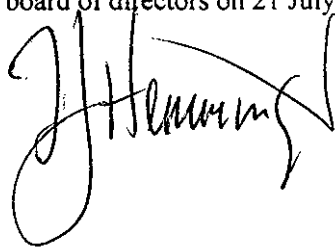
## Balance sheet

as at 31 March 1997

	Note	1997 £000	1996 £000
<b>Fixed assets</b>			
Tangible assets	8	99,945	96,747
Investments	9	2,988	588
		<u>102,933</u>	<u>97,335</u>
<b>Current assets</b>			
Debtors	10	4,924	8,691
Cash at bank and in hand		1,438	3,561
		<u>6,362</u>	<u>12,252</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(6,841)</u>	<u>(3,167)</u>
<b>Net current (liabilities)/assets</b>		(479)	9,085
<b>Total assets less current liabilities</b>		<u>102,454</u>	<u>106,420</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(54,306)</u>	<u>(63,404)</u>
		<u>48,148</u>	<u>43,016</u>
<b>Capital and reserves</b>			
Called up share capital	13	1,005	1,005
Share premium account	14	145	145
Investment property revaluation reserve	14	23,476	23,538
Profit and loss account	14	23,522	18,328
<b>Equity shareholders' funds</b>	15	<u>48,148</u>	<u>43,016</u>

Approved by the board of directors on 21 July 1997 and signed on its behalf by:

**TJ Hemmings**  
Director



# Northern Trust Company Limited

## Notes to the financial statements

### 1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and within the requirements of the Companies Act 1985, except for the revaluation of certain freehold and leasehold properties as explained below.

The company is exempt by issue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard Number 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of TJH Group Limited, and its cash flows are included within the consolidated cash flow statement of that company.

#### *Related party transactions*

The directors have taken advantage of the exemption in Financial Reporting Standard Number 8, paragraph 3(c) and have not disclosed the related party transactions with parent and fellow subsidiary undertakings.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover arises in the United Kingdom.

#### *Tangible fixed assets and depreciation*

In accordance with Statement of Standard Accounting Practice Number 19 (as amended)

- (i) investment properties are revalued annually by the company's senior chartered surveyor and every five years by external valuers at open market values determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. Surplus or deficit arising are taken to the revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year; and
- (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.



# Northern Trust Company Limited

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### *Tangible fixed assets and depreciation*

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

No depreciation is provided on freehold properties or properties held under leases with 20 years or more to run at the balance sheet date. It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly, the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of the acquisition or subsequent valuation, are so high that their depreciation is insignificant.

Provision is made in the profit and loss account in the event of the occurrence of any permanent diminution in property values.

The cost or valuation of other tangible fixed assets less their estimated residual value is written off on a straight line basis over their useful lives. The principal annual rates in use are:

Short leasehold	-	Over the period of the lease
Plant and machinery	-	25%
Fixtures and fittings	-	20%
Motor vehicle	-	25%

#### *Investments*

Investments are stated at cost less provision for any diminution in values.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account the taxation deferred because of timing differences between the treatment of certain items for taxation and accounts purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

#### *Leasing and hire purchase commitments*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

# Northern Trust Company Limited

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### *Pensions*

The company operates defined contribution pension schemes for the benefit of certain of its employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

### 2 Other operating income

Other operating income forms part of the company's normal trading activities and comprises profit on disposal of investment properties and the results of the company's equity investments as follows:

	1997 £000	1996 £000
Profit on disposal of investment properties	26	19
Profit on sale of rights	-	304
Income from investments	-	1,756
Other miscellaneous income	110	133
Amounts released / (provided) against investments	996	(416)
	<u>1,132</u>	<u>1,796</u>

### 3 Operating profit

	1997 £000	1996 £000
<i>Operating profit is stated after crediting:</i>		
Property rents receivable	11,736	11,727
<i>after charging:</i>		
Depreciation:		
owned assets	60	58
leased assets	70	74
Operating lease rentals:		
other assets	5	4
Auditors' remuneration	17	11
	<u>          </u>	<u>          </u>

# Northern Trust Company Limited

## Notes (continued)

### 4 Net interest payable

	1997 £000	1996 £000
<i>Interest payable:</i>		
Bank overdrafts repayable within five years	-	18
On loans from group undertakings	4,752	6,588
Finance leases and hire purchase contracts	-	2
	<u>4,752</u>	<u>6,608</u>
<i>Interest receivable:</i>		
Bank interest	(34)	(80)
On loans to group undertakings	(33)	(51)
Other loans	(13)	(91)
	<u>(80)</u>	<u>(222)</u>
	<u>4,672</u>	<u>6,386</u>

### 5 Taxation on profit on ordinary activities

	1997 £000	1996 £000
UK corporation tax at 33% (1996: 33%) on the profit for the year on ordinary activities	700	500
Adjustment to previous year	-	(81)
Tax attributable to franked investment income	-	351
	<u>700</u>	<u>770</u>

### 6 Staff numbers and costs

	1997 £000	1996 £000
<i>Employee costs (including directors):</i>		
Wages and salaries	270	343
Social security costs	23	32
Other pension costs	13	16
	<u>306</u>	<u>391</u>

# Northern Trust Company Limited

## Notes (continued)

### 6 Staff numbers and costs (continued)

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

	Number 1997	Number 1996
Management and administration	18	19

### 7 Directors' remuneration

Directors' remuneration of £51,000 (1996:£81,000) includes pension scheme contributions of £4,000 (1996:£6,000). The total remuneration of the chairman was £nil (1996: £nil). The remuneration of the highest paid director was as follows:

	1997 £000	1996 £000
Salary	44	71
Benefits in kind	3	4
Pension scheme contributions	4	6
	51	81

Compensation for loss of office of £80,000 was paid to the highest paid director.

# Northern Trust Company Limited

## Notes (continued)

### 8 Tangible fixed assets

	Land and buildings			Plant and equipment	Total
	Freehold	Long leasehold	Short leasehold		
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At 1 April 1996	92,229	3,913	602	356	97,100
Additions	3,379	-	-	33	3,412
Disposals	(65)	-	-	(35)	(100)
At 31 March 1997	95,543	3,913	602	354	100,412
<i>Depreciation</i>					
At 1 April 1996	-	-	147	206	353
Charge for year	-	-	70	60	130
Disposals	-	-	-	(16)	(16)
At 31 March 1997	-	-	217	250	467
<i>Net book value</i>					
At 31 March 1997	95,543	3,913	385	104	99,945
At 1 April 1996	92,229	3,913	455	150	96,747

Included within land and buildings are investment properties with a book value of £97,913,000 (1996: £95,473,000). These properties were valued by the company's senior chartered surveyor on the basis of open market value at 31 March 1997. Changes in the value of these properties are reflected as a movement on the investment property revaluation reserve.

If stated under historical cost principles the comparable amounts for land and buildings would be:

	1997 £000	1996 £000
Cost	76,425	73,111
Accumulated depreciation	(60)	(52)
	<u>76,365</u>	<u>73,059</u>

The cost of freehold and long leasehold land and buildings includes £99,456,000 (1996: £96,142,000) of non-depreciable assets.

# Northern Trust Company Limited

## Notes (continued)

### 8 Tangible fixed assets (continued)

Included in the total net book value of plant and equipment is £nil (1996: £13,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £nil (1996: £4,000).

The company has capital commitments contracted for of £3,045,000 (1996: £1,200,000) at the year end.

### 9 Fixed asset investments

	Interests in subsidiary and associated undertakings £000	Unlisted investments £000	Total £000
<b>Book value</b>			
At beginning of year	88	500	588
Addition	2,400	-	2,400
At end of year	<u>2,488</u>	<u>500</u>	<u>2,988</u>

Total provision against fixed asset investments amounts to £166,000 (1996: £166,000).

The company acquired the remaining 20% of the ordinary share capital of Woodrose Limited for £2 on 27 March 1997.

The company subscribed for 2,400,000 £1 redeemable preference shares on 27 March 1997 in a subsidiary undertaking Woodrose Limited. The preference shares were unpaid at the year end.

The company's principal operating subsidiary and associated undertakings at 31 March 1997 are set out below. All operate in the United Kingdom and are registered in England.

Company	Class of capital and percentage held	Activity
<b>Subsidiary undertakings</b>		
Woodrose Limited	Ordinary 100% Preference 100%	House building
Metacre Limited	Ordinary 100%	Land investment
Whittle Jones Group Limited	Ordinary 100%	Chartered surveyor

#### Associate undertaking

Pembrey Properties	Ordinary 50%	Property investment
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A full list of subsidiary companies will be included with the company's annual return.

# Notes (continued)

## 10 Debtors

	1997 £000	1996 £000
Trade debtors	1,669	1,851
Amounts owed by group undertakings	2,949	6,587
Other debtors	91	51
Prepayments and accrued income	215	202
	<u>4,924</u>	<u>8,691</u>
<i>The amounts owed by group undertaking comprises:</i>		
Parent and fellow subsidiary undertakings	55	3,614
Subsidiary undertakings	2,894	2,973
	<u>2,949</u>	<u>6,587</u>

## 11 Creditors

	1997 £000	1996 £000
<i>Amounts falling due within one year:</i>		
Trade creditors	73	49
Obligations under finance leases and hire purchase contracts	-	4
Amounts owed to group undertakings	748	316
Unpaid share capital to subsidiary undertaking	2,400	-
Corporation tax	1,200	500
Other taxes and social security	306	17
Other creditors	98	98
Accruals and deferred income	2,016	2,183
	<u>6,841</u>	<u>3,167</u>
<i>The amounts owed to group undertakings comprises:</i>		
Parent and fellow subsidiary undertakings	70	20
Subsidiary undertakings	678	296
	<u>748</u>	<u>316</u>
<i>Amounts falling due after one year:</i>		
Obligations under finance leases and hire purchase contracts	-	12
Amounts owed to parent and fellow subsidiary undertakings	54,306	63,392
	<u>54,306</u>	<u>63,404</u>

The loans from group undertakings bear interest at market rates and are due for repayment within five years.

## Notes (continued)

## 11 Creditors (continued)

Obligations under finance leases and hire purchase contracts are due to be repaid over the following periods:

	1997 £000	1996 £000
Within 1 year	-	4
Between 1 and 5 years	-	12
	<u>-</u>	<u>16</u>
	<u><u>-</u></u>	<u><u>16</u></u>

## 12 Deferred tax

Deferred tax unprovided is analysed as follows:

	1997 £000	1996 £000
Accelerated capital allowances	(377)	(318)
Short-term timing differences	(118)	(150)
Property revaluation	6,363	5,158
Losses carried forward	-	(571)
	<u>5,868</u>	<u>4,119</u>
	<u><u>5,868</u></u>	<u><u>4,119</u></u>

The company has no intention of disposing of any of the properties without reinvesting in similar properties and obtaining rollover relief. Consequently no provision has been made for the potential taxation liability in respect of chargeable gains or balancing allowances that should arise on the disposal of the revalued properties.

## 13 Called up share capital

	1997 £000	1996 £000
<i>Authorised</i>		
10,000,000 ordinary shares of £0.25 each	2,500	2,500
<i>Allotted and fully paid</i>		
4,021,431 ordinary shares of £0.25 each	1,005	1,005
	<u>1,005</u>	<u>1,005</u>
	<u><u>1,005</u></u>	<u><u>1,005</u></u>

## 14 Reserves

	Investment property revaluation reserve £000	Share premium account £000	Profit and loss account £000
At 1 April 1996	23,538	145	18,328
Profit for the financial year	-	-	5,132
Transfer	(62)	-	62
At 31 March 1997	<u>23,476</u>	<u>145</u>	<u>23,522</u>
	<u><u>23,476</u></u>	<u><u>145</u></u>	<u><u>23,522</u></u>



## 15 Reconciliation of movement in shareholders' funds

	1997 £000	1996 £000
Profit for the financial year	5,132	3,947
Revaluation of investment properties	-	75
Net increase in shareholders' funds	5,132	4,022
Shareholders' funds at beginning of year	43,016	38,994
Shareholders' funds at end of year	48,148	43,016

## 16 Pensions

Certain of the company's employees are members of defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension costs charge represents pension contributions payable by the company to the funds and amounted to £13,000 (1996: £16,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

## 17 Contingent liabilities

The company is party to group banking arrangements for TJH Group Limited. Consequently, it is jointly and severally liable for the loans and overdrafts of TJH Group Limited and certain of its subsidiary undertakings. At 31 March 1997 the liability under this guarantee amounted to £120,698,000 (1996: £124,230,000).

## 18 Ultimate parent company

The ultimate parent company is TJH Group Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by TJH Group Limited. The consolidated financial statements of TJH Group Limited are available to the public and may be obtained from:

The Registrar of Companies  
Companies House  
Crown Way  
CARDIFF  
CF4 3UZ