



ST MODWEN VENTURES LIMITED

Report and Financial Statements

30 November 1998

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 November 1998.

PRINCIPAL ACTIVITY

The principal activity of the company is property investment.

REVIEW OF BUSINESS

The directors consider the state of the company and future prospects to be satisfactory. No changes are envisaged.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £805,418 (1997 - £249,518) and has been added to reserves. The directors do not recommend the payment of a dividend (1997 - Nil).

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year, none of whom had any interests in the shares of the company or fellow subsidiaries. The relevant interests in the shares of the ultimate parent company of Messrs Clarke, Glossop and Doona are disclosed in the directors' report of that company. Mr Williams has an option to subscribe for 236,218 ordinary shares of the ultimate parent company (1997 - 186,218) and holds 24,566 shares (1997 - 47,157).

S W Clarke

C C A Glossop

P E Doona

A R Williams

YEAR 2000

A full review of the systems and operational implications of the Year 2000 computer issues has been carried out. Full compliance for internal applications is being met by the normal upgrade and replacement of IT equipment. As the company's core system is its property database system, which is Year 2000 compliant, systems compliance will not present a problem either in cost or achievability. The company is also taking appropriate steps to ensure that the systems and equipment for which it is responsible within its owned properties are Year 2000 compliant.

Total costs of internal and external full compliance are not expected to be material.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



P E DOONA

Secretary

**STATEMENT OF 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 as at the end of the financial year and of the profit or loss of the company 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF

ST MODWEN VENTURES LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on page 7.

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 company's affairs as at 30 November 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

19 May 1999


PROFIT AND LOSS ACCOUNT
Year ended 30 November 1998

	Note	1998 £	1997 £
TURNOVER	1	1,597,180	415,092
Cost of sales		(258,066)	8,279
Gross profit		1,339,114	423,371
Administrative expenses		(299,330)	(91,843)
Movement in valuation of investment properties		445,474	115,000
OPERATING PROFIT		1,485,258	446,528
Interest receivable	3	318,611	-
Interest payable	4	(882,530)	(135,110)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	921,339	311,418
Taxation	6	(115,921)	(61,900)
PROFIT FOR THE FINANCIAL YEAR	12	805,418	249,518

All activities derive from continuing operations.

There is no material difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis. Accordingly a note of historical cost profit and losses for the period is not given.


RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Year ended 30 November 1998

	1998 £	1997 £
Profit for the financial year	805,418	249,518
Other recognised gains and losses relating to the year	3,592,305	-
Net addition to shareholders' funds	4,397,723	249,518
Opening shareholders' funds	3,334,337	3,084,819
Closing shareholders' funds	<u>7,732,060</u>	<u>3,334,337</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £	1997 £
Profit for the financial year	805,418	249,518
Unrealised surplus on revaluation of properties	3,592,305	-
Total recognised gains and losses relating to the year	<u>4,397,723</u>	<u>249,518</u>



BALANCE SHEET
30 November 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	7		21,995,000		3,985,000
CURRENT ASSETS					
Work in progress		1,256,861		-	
Debtors	8	32,359		14,523	
Cash at bank and in hand		420,367		50	
		<u>1,709,587</u>		<u>14,573</u>	
CREDITORS: amounts falling due within one year	9	<u>(1,366,195)</u>		<u>(665,236)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>343,392</u>		<u>(650,663)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>22,338,392</u>		<u>3,334,337</u>
CREDITORS: amounts falling due after one year	10		<u>(14,606,332)</u>		<u>-</u>
			<u>7,732,060</u>		<u>3,334,337</u>
CAPITAL AND RESERVES					
Called up share capital	11		15,000		15,000
Revaluation reserve	12		3,592,305		-
Profit and loss account	12		4,124,755		3,319,337
EQUITY SHAREHOLDERS' FUNDS			<u>7,732,060</u>		<u>3,334,337</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

10th May 1999

P. Doona.

P E DOONA
Director



NOTES TO THE ACCOUNTS
Year ended 30 November 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve if the revalued amount is in excess of cost or through the profit and loss account until the revaluation is greater than cost. No depreciation is provided on investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principles as set out in SSAP 19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation 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.

Interest

Interest on borrowings is written off when incurred.

Turnover

Turnover represents rents receivable and other recoveries receivable from tenants, exclusive of value added tax in the UK.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future. Under this policy, no provision has been made for the potential further liability to taxation which would arise in the event of the realisation of investment properties included at valuation in the accounts at the values attributed to them.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

- (a) None of the directors received any remuneration during the year (1997 - £Nil).
- (b) The company has no employees and is managed by its parent company, St Modwen Properties plc.

3. INTEREST RECEIVABLE

	1998	1997
	£	£
Interest receivable	160,208	-
Group interest receivable	158,403	-
	<hr/>	<hr/>
	318,611	-
	<hr/>	<hr/>


NOTES TO THE ACCOUNTS
Year ended 30 November 1998
4. INTEREST PAYABLE

	1998 £	1997 £
Payable on external borrowing	882,530	-
Payable on group finance	-	135,110
	<u>882,530</u>	<u>135,110</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
Profit on ordinary activities before taxation is after charging:		
Auditors' remuneration - audit services	2,250	2,250
Group management charge	289,000	89,840
	<u>289,000</u>	<u>89,840</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
United Kingdom corporation tax at 31% based on the results of the year (1997 - 31.67%)	130,000	62,500
Prior year adjustment:		
Corporation tax	(14,079)	(600)
	<u>115,921</u>	<u>61,900</u>

The tax charge for the year is disproportionate as a result of the movement in the valuation of investment properties not being subject to corporation tax.

7. TANGIBLE FIXED ASSETS

	Freehold investment property £	Long leasehold investment property £	Freehold operating property £	Total £
At 1 December 1997	3,885,000	100,000	-	3,985,000
Additions: External	94,768	-	165,000	259,768
Intragroup	13,782,453	-	-	13,782,453
Disposals: Intragroup	(70,000)	-	-	(70,000)
Surplus on revaluation	4,037,779	-	-	4,037,779
	<u>21,730,000</u>	<u>100,000</u>	<u>165,000</u>	<u>21,995,000</u>
At 30 November 1998	21,730,000	100,000	165,000	21,995,000


NOTES TO THE ACCOUNTS
Year ended 30 November 1998
7. TANGIBLE FIXED ASSETS (continued)

The investment properties were valued as at 30 November 1998 on the basis of open market value, by King Sturge & Co., Chartered Surveyors. At 30 November 1998 the cost to the company of freehold and long leasehold investment properties included at valuation were £18,067,341 (1997 - £4,230,587) and £170,354 (1997 - £170,354) respectively.

There were no capital commitments at 30 November 1998 (1997 - £Nil).

8. DEBTORS

	1998	1997
	£	£
Amounts falling due within one year		
Trade debtors	32,062	14,369
Other debtors	297	154
	<u>32,359</u>	<u>14,523</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£	£
Bank overdraft	-	536,417
Trade creditors	54,388	4,063
Due to parent company	480,830	2,250
Corporation tax	130,000	74,280
Taxation and social security	103,777	18,553
Accruals and deferred income	597,200	29,673
	<u>1,366,195</u>	<u>665,236</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	1998	1997
	£	£
Bank loan (repayable after more than five years by instalments)	14,606,332	-
	<u>14,606,332</u>	<u>-</u>

The bank loan is secured by fixed charges over certain of the company's investment properties and is subject to variable interest rates based on LIBOR.


NOTES TO THE ACCOUNTS
Year ended 30 November 1998
11. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
250,000 ordinary shares of £1 each	250,000	250,000
Allotted and fully paid		
15,000 ordinary shares of £1 each	15,000	15,000

12. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 December 1997	-	3,319,337
Profit for the year	-	805,418
Surplus arising on revaluation of property	3,592,305	-
At 30 November 1998	3,592,305	4,124,755

13. DEFERRED TAXATION

The accounting policy relating to deferred taxation is set out in note 1. The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided 1998 £	1997 £	Unprovided 1998 £	1997 £
Capital allowances in excess of depreciation	-	-	49,000	25,000
Surplus on revaluation	-	-	1,647,000	(136,000)
	-	-	1,696,000	(111,000)

14. ULTIMATE PARENT COMPANY AND GROUP TRANSACTIONS

The ultimate parent company is St Modwen Properties plc, a company registered in England. Copies of the group report and accounts of St Modwen Properties plc are available from the Registered Office at Lyndon House, 58/62 Hagley Road, Edgbaston, Birmingham B16 8PE.

As the company is wholly owned by the group, it has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose transactions with other companies in the group.