

Southvale Investments Limited
Annual report
for the year ended 31 December 1997

Registered no: 2038501



Southvale Investments Limited

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Directors and advisers

Directors

P M Milburn
A R Cunningham
G J Davis
S Dickinson

Registered Auditors

PricewaterhouseCoopers
Hadrian House
Higham Place
Newcastle upon Tyne
NE1 8BP

Secretary and registered office

G J Davis
Chaucer Buildings
Grainger Street
Newcastle upon Tyne
NE1 5LE

Solicitors

Dickinson Dees
Cross House
Westgate Road
Newcastle upon Tyne
NE99 1SB

Bankers

Lloyds Bank plc
15 West Street
Gateshead
Tyne and Wear
NE8 1DP

Barclays Bank Plc
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3PN

**Directors' report
for the year ended 31 December 1997**

The directors present their report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The principal activities of the company remain those of property development and trading.

Review of business

On 17 November 1997 Grainger Trust plc acquired 100% of the ordinary share capital. Both the level of business and year end financial position were satisfactory. The directors expect the current level of activity to be sustained.

Results

The results for the year are set out on page 6.

Directors

The directors who served during the year and to the date of this report were:

K Good	(resigned 17 November 1997)
J Good	(resigned 17 November 1997)
J W Cawthorn	(resigned 12 November 1997)
P M Milburn	(appointed 17 November 1997)
A R Cunningham	(appointed 17 November 1997)
G J Davis	(appointed 17 November 1997)
S Dickinson	(appointed 17 November 1997)

The directors have no beneficial interest in the share capital of the company. The beneficial interests of S Dickinson, P M Milburn and A R Cunningham 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. for the year ended 30 September 1997.

The beneficial interests of the other directors serving at the year end in the shares of Grainger Trust p.l.c. were as follows:

	31 December 1997 Number	17 November 1997 Number
G J Davis	<u>13,092</u>	<u>13,092</u>

Directors share options at 31 December 1997

Option price	Date exercisable	Ordinary shares of 25p each Mr G J Davis	
		31 December 1997	17 November 1997
Revenue approved schemes			
448p	3 Jan 1992 to 3 Jan 1999	20,000	20,000
128.4p	19 July 1994 to 18 July 2001	20,000	20,000
LTIP scheme			
267.1p	9 July 2000 to 9 July 2007	8,911	8,911
SAYE scheme			
214p	5 Aug 2002 to 5 Feb 2003	8,060	8,060
Total number of share options		<u>56,971</u>	<u>56,971</u>

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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.

The directors confirm that suitable 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 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'S. Dan', written over the printed name 'Secretary'.

Secretary

27 October 1998

Report of the auditors to the members of Southvale Investments Limited

We have audited the financial statements on pages 6 to 12 which have been prepared under the historic cost convention and accounting policies set out on pages 8 and 9.

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



Chartered Accountants and Registered Auditors
Newcastle upon Tyne
29 October 1998

**Profit and loss account
for the year ended 31 December 1997**

	Notes	1997 £'000	1996 £'000
Turnover	1	3,126	1,564
Gross rentals		1,028	966
Trading profits		742	331
		1,770	1,297
Less:			
Property expenses		(184)	(264)
Management expenses		(121)	(105)
Profit on ordinary activities before interest		1,465	928
Net interest payable	2	(56)	(81)
Profit on ordinary activities before taxation	3	1,409	847
Taxation	5	(450)	(270)
Profit on ordinary activities after taxation		959	577
Dividends	6	-	400
Retained profit for the financial year	13	959	177

All activities of the company are continuing.

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

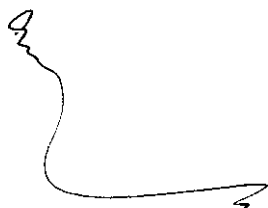
There is no difference between profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

**Balance sheet
at 31 December 1997**

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible fixed assets	7	5	7
Current assets			
Trading properties	8	2,814	4,168
Debtors	9	1,271	161
Cash at bank		37	2
		<u>4,122</u>	<u>4,331</u>
Creditors: amounts falling due within one year	10	<u>(452)</u>	<u>(1,234)</u>
Net current assets		<u>3,670</u>	<u>3,097</u>
Total assets less current liabilities		<u>3,675</u>	<u>3,104</u>
Creditors: amounts falling due after more than one year	11	<u>(102)</u>	<u>(490)</u>
Net assets		<u>3,573</u>	<u>2,614</u>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	13	3,571	2,612
Equity shareholders' funds	14	<u>3,573</u>	<u>2,614</u>

The financial statements on pages 6 to 12 were approved by the board of directors on 27 October 1998 and were signed on its behalf by:

Director



**Notes to the financial statements
for the year ended 31 December 1997****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Accounting convention

The company prepares its annual financial statements on the historical cost basis of accounting.

Cash flow

The company is a wholly owned subsidiary of Grainger Trust p.l.c.. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Turnover

Turnover comprises gross rentals, gross sale proceeds of trading properties and sundry other income.

Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding undertaking.

Repairs and improvements

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. Improvement costs are capitalised. Provision is made to cover the costs of improvement work in progress at the year end.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The annual rate used for these purposes is 25% straight line.

Trading properties

Trading properties are shown in the financial statements at the lower of cost to the company and net realisable value. Cost to the company includes legal and surveying charges incurred during acquisition plus improvement costs. Net realisable value is the net sale proceeds which the company expect on sale of a property with vacant possession.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2 Net interest payable

	1997 £'000	1996 £'000
Bank and other loans	19	81
Other interest	37	-
	<u>56</u>	<u>81</u>

3 Profit on ordinary activities before taxation

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	5	3
Depreciation of owned tangible fixed assets	2	2
	<u>7</u>	<u>5</u>

4 Directors and employees

There are no persons holding service contracts with Southvale Investments Limited.

None of the directors received any remuneration from the company during the year or in the previous year.

5 Taxation

	1997 £'000	1996 £'000
UK corporation tax at 31.5% (1996: 33%)		
Current	450	269
Under provision in respect of prior years	-	1
	<u>450</u>	<u>270</u>

6 Dividends

	1997 £'000	1996 £'000
Ordinary dividends paid of nil pence (1996: £20,000) per share	-	400
	<u>-</u>	<u>400</u>

7 Tangible fixed assets

	£'000
Cost	
At 1 January and 31 December 1997	15
	<u>15</u>
Depreciation	
At 1 January 1997	8
Charge for the year	2
	<u>10</u>
At 31 December 1997	<u>10</u>
Net book value	
At 31 December 1997	5
	<u>5</u>
Net book value	
At 1 January 1997	7
	<u>7</u>

8 Trading properties

	1997 £'000	1996 £'000
Trading properties	2,814	4,167
	<u>2,814</u>	<u>4,167</u>

9 Debtors

	1997 £'000	1996 £'000
Amounts falling due within one year:		
Trade debtors	85	55
Amounts owed by parent company and fellow subsidiaries	1,181	-
Other debtors	-	105
Prepayments and accrued income	5	-
	<u>1,271</u>	<u>160</u>

10 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Bank and other loans	-	215
Finance lease and hire purchase contracts	-	3
Trade creditors	32	61
Amounts due to parent undertaking	37	-
Other tax and social securities payable	1	-
Corporation tax	349	386
Accruals and deferred income	33	569
	<u>452</u>	<u>1,234</u>

11 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Other creditors	<u>102</u>	<u>490</u>

12 Called up share capital

	1997 £'000	1996 £'000
Authorised		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>
Allotted, called up and fully paid		
2,000 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 Profit and loss account

	1997 £'000	1996 £'000
At 1 January	2,612	1,766
Profit for the year	959	846
At 31 December	<u>3,571</u>	<u>2,612</u>

14 Reconciliation of movements in equity shareholders' funds

	1997 £'000	1996 £'000
Profit for the financial year	959	577
Dividends	-	(400)
Net addition to equity shareholders' funds	<u>959</u>	<u>177</u>
Opening equity shareholders' funds	2,614	2,437
Closing equity shareholders' funds	<u>3,573</u>	<u>2,614</u>

15 Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard No.8 and has not disclosed transactions with companies that are part of the Grainger Trust p.l.c. group.

During the year the company paid rent, rates and management charges of £48,000 (1996: £36,000) to Northgood Industries Limited, a related company.

During the year, until his resignation, Mr J W Cawthorn acted for the company in his capacity as a solicitor. Total payments made were £Nil (1996: £8,104).

16 Controlling parties

The directors regard Grainger Trust p.l.c., a company registered in England and Wales, as the immediate and ultimate controlling party and parent company by virtue of its majority shareholding. Copies of the parent's consolidated financial statements may be obtained from Chaucer Buildings, 57 Grainger Street, Newcastle upon Tyne, NE1 5LE.