

NOVA HOLDINGS (SALISBURY) PLC

COMPANY NUMBER 0030733

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

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FLETCHER & PARTNERS

CHARTERED ACCOUNTANTS

SALISBURY



NOVA HOLDINGS (SALISBURY) PLC

Directors : W S Oglethorpe (Chairman)
 R R F Baker
 D I Jefferson
 R A Gibbs
 M C Maidment

Secretary : J P Chudleigh

Bankers : Lloyds Bank plc

Registered Office : 4 New Street, Salisbury

DIRECTORS' REPORT**TO THE ONE HUNDRED AND NINTH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company remain the owning and management of property.

Occupancy rates were satisfactory during the year.

The Company purchased two retail shop premises during the year; 17 Union Street, Reading which is let to an established local retailer at £20,000 per annum, and 103 Highlands Road, Fareham which is let to Whitbread plc at £7,250 per annum.

The Company exchanged contracts for the disposal of some of its Salisbury properties, conditional, among other things, upon the receipt of planning permission for residential redevelopment. These conditions had not been fulfilled at 31 December 1997, and are still unfulfilled, and so this transaction has not been reflected in these accounts. The agreed price for this conditional contract is £455,000. The directors do not anticipate that any or any material corporation tax will be payable. The contract contains provisions for further sums to be paid in the event that the developer of the site exceeds a certain level of sales.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £83,909 (1996: £85,686). It is recommended that the profit be dealt with as follows:-

		£
Preference Dividends		
Interim paid	(2%)	250
Final proposed	(1.75%)	219
Ordinary Dividends		
Interim paid	(10%)	18,741
Final proposed	(13%)	24,363
		<hr/>
		43,573
Transfer to Reserves		40,336
		<hr/>
		£83,909
		<hr/>

PROPERTIES

The Company's properties are shown in the Balance Sheet at the Directors' valuation in 1978 with subsequent additions at historic cost. The Directors are of the opinion that their market value could be considerably in excess of the book value but, as explained in Note 1(c) to the Accounts, they do not consider that the benefits of a full valuation would outweigh the cost.

NOVA HOLDINGS (SALISBURY) PLCDIRECTORS' REPORT(Continued)DIRECTORS

The names of the Directors who served the Company during the year and their beneficial interests in the Company's shares are as follows:

31 December 1996and 31 December 1997

	<u>Ordinary</u>	<u>Preference</u>
W S Oglethorpe	2,234	121
R R F Baker	3,428	213
D I Jefferson	10,248	137
R A Gibbs	4,235	186
M C Maidment	100	-

The Directors have no rights to subscribe for shares.

Mr W S Oglethorpe retires annually, having achieved the age of 70, and Mr M C Maidment retires by rotation. Both being eligible, they offer themselves for re-election at the Annual General Meeting.

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts 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 of the Company for that period. In preparing those accounts, the Directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- * prepare the accounts 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 which enable them to ensure that the accounts 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

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Fletcher & Partners as Auditors to the Company will be put to the Annual General Meeting.

Signed on behalf of the Board of Directors



..... Secretary

J P Chudleigh

Approved by the Board 16 Feb 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF
NOVA HOLDINGS (SALISBURY) PLC

We have audited the financial statements on Pages 4 to 11 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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 the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 the examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

QUALIFIED OPINION

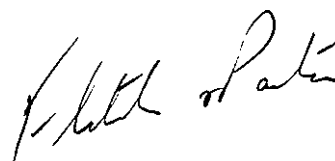
The Company has not revalued its investment properties as required by Statement of Standard Accounting Practice Number 19, which requires such valuations on an annual basis (see Note 1c to the Financial Statements).

Except for the non-compliance with this requirement, in our opinion the accounts give a true and fair view of the state of the Company's affairs as 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.

In our opinion this qualification is not material for determining whether the proposed distribution would contravene the Companies Act 1985.

Salisbury

16 February 1998



FLETCHER AND PARTNERS
Chartered Accountants
and Registered Auditors

NOVA HOLDINGS (SALISBURY) PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
RENTS RECEIVABLE		153,248	134,221
OTHER OPERATING INCOME			
Insurance Commission		1,106	993
		<hr/> 154,354	<hr/> 135,214
OPERATING CHARGES			
Property and Management Expenses	2	47,370	31,272
OPERATING PROFIT		<hr/> 106,984	<hr/> 103,942
INTEREST RECEIVABLE		3,252	9,886
INTEREST PAYABLE		(2,281)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		107,955	113,828
TAXATION	3	24,046	28,142
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		83,909	85,686
DIVIDENDS	4	43,542	43,573
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR		40,367	42,113
RETAINED PROFIT BROUGHT FORWARD		460,939	418,826
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		<u>£501,306</u>	<u>£460,939</u>

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profit for the above two financial years.

NOVA HOLDINGS (SALISBURY) PLC

BALANCE SHEETAS AT 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
TANGIBLE FIXED ASSETS			
Properties	5	805,322	513,957
Other Assets	6	961	4,943
		<u>806,283</u>	<u>518,900</u>
CURRENT ASSETS			
Debtors	7	11,194	20,524
Cash at Bank		1,323	232,803
		<u>12,517</u>	<u>253,327</u>
CREDITORS: Amounts Falling Due Within One Year	8	112,840	106,634
		<u>(100,323)</u>	<u>146,693</u>
NET CURRENT ASSETS/(LIABILITIES)			
		<u>£705,960</u>	<u>£665,593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CAPITAL AND RESERVES			
Called-up Share Capital	10	199,904	199,904
Capital Reserve	11	4,750	4,750
Profit and Loss Account		501,306	460,939
		<u>£705,960</u>	<u>£665,593</u>
SHAREHOLDERS' FUNDS	12		

Signed on behalf of the Board of Directors:

..... Chairman

W S Oglethorpe

Approved by the Board 16th February 1998

The Notes on Pages 7 to 11 form part of these Financial Statements

NOVA HOLDINGS (SALISBURY) PLC

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	112,373	108,761
RETURNS FROM INVESTMENTS AND SERVICING OF FINANCE			
Interest Received		3,802	9,336
Dividends Paid		(43,542)	(41,699)
Interest Paid		(2,281)	-
		<u>(42,021)</u>	<u>(32,363)</u>
TAXATION			
Mainstream Corporation Tax Paid		(18,201)	(15,621)
Advance Corporation Tax Paid		(16,570)	(4,749)
		<u>(34,771)</u>	<u>(20,370)</u>
INVESTING ACTIVITIES			
Warminster Improvements		-	(1,307)
Purchase of Fixtures and Fittings		-	(614)
Purchase of Properties		(291,365)	-
		<u>(291,365)</u>	<u>(1,921)</u>
TOTAL NET CASH INFLOW/(OUTFLOW)	(b)	<u>£(255,784)</u>	<u>£54,107</u>

NOTES TO THE CASH FLOW STATEMENT

	<u>1997</u>	<u>1996</u>
(a) <u>Reconciliation of Operating Profit and Net Cash Inflow from Operating Activities.</u>		
Operating Profit	106,984	103,942
(Increase)/Decrease in Operating Debtors	8,787	(2,548)
Increase/(Decrease) in Operating Creditors	(7,380)	(115)
Depreciation	3,982	7,482
	<u>£112,373</u>	<u>£108,761</u>
(b) <u>Reconciliation of changes in Cash and Cash Equivalents with Balance Sheet.</u>		
Cash at Bank		
Opening Balances	232,803	178,696
Closing Balances	(22,981)	232,803
Increase/(Decrease) in Year:	<u>£(255,784)</u>	<u>£54,107</u>

NOVA HOLDINGS (SALISBURY) PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

1. **ACCOUNTING POLICIES**

a) Basis of Accounting

These financial statements have been prepared under the historical cost convention, modified by the revaluation of certain properties. They comply with the provisions of the Companies Act 1985, with Financial Reporting Standards and with Statements of Standard Accounting Practice, except as explained in Note 1c below.

b) Rents Receivable

Rents receivable are credited to income in the period to which they relate. All arrears at the balance sheet date (including amounts relating to future periods) are included as debtors and rents receivable in advance are carried forward as creditors.

c) Properties

The value of properties in the Balance Sheet is based on the Directors' valuation in 1978 with subsequent additions at historic cost. This treatment is not in accordance with Statement of Standard Accounting Practice Number 19 which requires investment properties to be shown at market value. The Directors have adopted this treatment because they believe the costs of obtaining a valuation would outweigh the benefits to shareholders.

Property development costs are capitalised as incurred, provided that it is reasonably probable that the development will be completed.

No depreciation is charged on Properties because the Directors expect their residual values at the end of their useful lives to exceed book value.

d) Other Tangible Fixed Assets

Depreciation is charged to write off the cost of other tangible fixed assets over their estimated useful lives.

The following rate is used:

Landlord's Fixtures and Fittings: 20% straight line basis

No depreciation is charged on Office Furniture as it has only a nominal value.

e) Deferred Tax

Provision is made for deferred tax using the liability method on all timing differences to the extent that it is probable that a liability will crystallise. No provision is made where it is probable that a liability will not crystallise.

NOVA HOLDINGS (SALISBURY) PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

(Continued)

2. PROPERTY AND MANAGEMENT EXPENSES

	<u>1997</u>	<u>1996</u>
These include:		
Directors' Fees	£4,250	£4,250
Depreciation	£3,982	£7,482
Auditors' Remuneration	£2,500	£2,700
	<u> </u>	<u> </u>

There were no fully employed Directors or Employees

3. TAXATION

Provision has been made for Corporation Tax at the Small Companies' Rate on the Profit on Ordinary Activities as follows:-

	<u>1997</u>	<u>1996</u>
Corporation Tax chargeable for the year	24,048	28,635
Deferred Tax credit (Note 9)	-	(493)
Overprovision	(2)	-
	<u> </u>	<u> </u>
As charged in the Profit and Loss Account	£24,046	£28,142
	<u> </u>	<u> </u>

The Small Companies' Rate was 24% on profits apportioned to the period ended 31 March 1997 and 21% on profits apportioned to the period beginning on 1 April 1997.

The Corporation Tax liability included in Creditors is the tax charged for the year less Advance Corporation Tax paid during the year.

No provision for Corporation Tax payable in respect of the conditional sale of the properties in Salisbury, has been made in these accounts. The directors believe that no extra corporation tax will arise on this contract. The transaction will not in any event be taxable until the contract is unconditional.

4. DIVIDENDS

	<u>1997</u>	<u>1996</u>
Ordinary Shares		
Interim Dividend Paid	18,741	18,741
Final Dividend Proposed	24,363	24,363
	<u> </u>	<u> </u>
	43,104	43,104
Preference Shares		
Interim Dividend Paid	250	250
Final Dividend Proposed	219	219
	<u> </u>	<u> </u>
	469	469
Overpayment 1995 Final	(31)	-
	<u> </u>	<u> </u>
	£43,542	£43,573
	<u> </u>	<u> </u>

NOVA HOLDINGS (SALISBURY) PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

(Continued)

5. PROPERTIES

	<u>1997</u>	<u>1996</u>
<u>FREEHOLD LAND AND BUILDINGS</u>		
<u>Salisbury Properties</u>		
As valued by the Directors 1 March 1978	166,000	166,000
Additions, at cost, in 1986	4,535	4,535
Development costs (1992 to 1994)	15,912	15,912
Less: Amortisation	(15,912)	(15,912)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	170,535	170,535
<u>Warminster Properties</u>		
At cost in 1979	34,396	34,396
Improvements - 1995	65,859	65,859
- Adjustment to cost	(229)	(229)
	<hr/>	<hr/>
	100,026	100,026
<u>Fareham Property</u>		
At cost	72,648	-
<u>Reading Properties</u>		
At cost in 1983	92,705	92,705
Development costs (1990 to 1992)	152,191	152,191
- Adjustment to cost	(1,500)	(1,500)
Addition at cost	218,717	-
	<hr/>	<hr/>
	462,113	243,396
	<hr/>	<hr/>
	£805,322	£513,957
	<hr/>	<hr/>

The historic cost of the Salisbury Properties is £39,233 (1996: £39,233). This is the net book value of properties held at 1 March 1978 after adjustment for subsequent additions and disposals at historic cost and the amortisation of development costs.

As described in the Directors' Report, some of the Salisbury Properties were subject to a conditional sale contract, the conditions of which had not been fulfilled. Therefore this transaction has not been reflected in these accounts.

6. OTHER TANGIBLE FIXED ASSETS

	<u>Landlord's Fixtures and Fittings</u>	<u>Office Furniture</u>	<u>Total</u>
Cost or Valuation			
At 1 January 1997			
and 31 December 1997	37,409	1	37,410
Depreciation			
At 1 January 1997	32,467	-	32,467
Charge for the Year	3,982	-	3,982
	<hr/>	<hr/>	<hr/>
At 31 December 1997	36,449	-	36,449
Net Book Value			
At 31 December 1997	£960	£1	£961
	<hr/>	<hr/>	<hr/>
At 31 December 1996	£4,942	£1	£4,943
	<hr/>	<hr/>	<hr/>

NOVA HOLDINGS (SALISBURY) PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997

(Continued)

7. DEBTORS

	<u>1997</u>	<u>1996</u>
Amounts falling due within one year:		
Rent arrears	5,041	13,828
Accrued interest	-	550
Amounts falling due after more than one year:		
Advance Corporation Tax recoverable	6,153	6,146
	<u>£11,194</u>	<u>£20,524</u>

8. CREDITORS: Amounts falling due within one year:

	<u>1997</u>	<u>1996</u>
Rents receivable in advance	24,467	30,917
Other Creditors including Taxation:		
Dividends payable	24,582	24,582
Mainstream Corporation Tax	13,162	18,202
Advance Corporation Tax	6,153	11,831
Value Added Tax	4,562	7,361
Other Creditors	3,673	3,892
Accruals	11,937	9,849
Bank Overdraft (secured)	24,304	-
	<u>£112,840</u>	<u>£106,634</u>

9. DEFERRED TAX

	<u>1997</u>	<u>1996</u>
Balance at 1 January 1997	-	493
Transfer during the Year	-	(493)
Balance at 31 December 1997:		
Accelerated Capital Allowances	Nil	Nil
<u>Less</u> ACT Recoverable	-	-
As shown in the Balance Sheet	<u>£ Nil</u>	<u>£ Nil</u>

No provision has been made for deferred tax in respect of property revaluations since it is considered that no tax liability would arise if revalued properties were disposed of at their Balance Sheet values.

NOVA HOLDINGS (SALISBURY) PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)

10. SHARE CAPITAL

At 1 January and 31 December 1997

	Authorised	Allotted, Called up & Fully Paid
Ordinary Shares of £1 each	387,500	187,410
3.75% Preference Shares of £1 each	12,500	12,494
	<hr/>	<hr/>
	£400,000	£199,904
	<hr/>	<hr/>

There were no changes during the year.

11. CAPITAL RESERVE

When the Salisbury properties were revalued on 1 March 1978 a sum equal to the amount of the revaluation (£154,678) was taken to Capital Reserve and £149,928 of it was capitalised by a bonus issue of shares. The balance on Capital Reserve therefore represents the uncapped and undistributable element of the revaluation:

As at 1 January and 31 December 1997: £4,750

There was no change during the year.

12. SHAREHOLDERS' FUNDS

a) Analysis of Shareholders' Funds

	1997	1996
Non-equity Interests (3.75% Preference Shares)	12,494	12,494
Equity Interests	693,466	653,099
	<hr/>	<hr/>
	£705,960	£665,593
	<hr/>	<hr/>

Non-equity Interests

Shareholders' funds attributable to non-equity interests comprise 12,494 3.75% preference shares of £1 each at par value. Dividends are payable at an annual rate of 3.75% net of tax credit and are cumulative. The shares are not redeemable but have priority over ordinary shares in the event of the Company's being wound up, to the extent of their par value and the arrears (if any) of dividends. Holders of preference shares have no vote (provided dividends are not in arrears), except on a question of the winding up or reconstruction of the Company.

b) Reconciliation of Movements on Shareholders' Funds

	1997	1996
Profit for the Year after Taxation	83,909	85,686
Dividends	(43,542)	(43,573)
	<hr/>	<hr/>
Shareholders' Funds at 1 January 1997	40,367	42,113
	665,593	623,480
	<hr/>	<hr/>
Shareholders' Funds at 31 December 1997	£705,960	£665,593
	<hr/>	<hr/>