

NOVA HOLDINGS (SALISBURY) PLC

COMPANY NUMBER 0030733

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

CONTENTS

<u>Page</u>	
1. - 2.	Directors' Report
3.	Report of the Auditors
4.	Profit and Loss Account
5.	Balance Sheet
6.	Cash Flow Statement
7. - 11.	Notes to the Financial Statements

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' REPORTTO THE ONE HUNDRED AND TENTH ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Directors present their report and the audited financial statements for the year ended 31 December 1998.

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.

During 1997 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 1998, and so this transaction has not been reflected in these accounts, except that the properties have been treated as current assets. The contract became unconditional and was completed on 12 February 1999. The gross consideration is £455,000. The directors do not anticipate that 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 achieves a gross value above a certain level of sales.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £80,302 (1997: £83,909). It is recommended that the profit be dealt with as follows:-

		£
Preference Dividends		
Interim paid	(2.25%)	282
Final proposed	(1.5%)	187
Ordinary Dividends		
Interim paid	(11%)	20,615
Final proposed	(15%)	28,111
		<hr/>
		49,195
Transfer to Reserves		31,107
		<hr/>
		£80,302
		<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 January 1998 and 31 December 1998

	<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	-

Mr M C Maidment has a non-beneficial interest in 15,000 ordinary and 615 preference shares held as a trustee.

The Directors have no rights to subscribe for shares.

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

PAYMENT OF TRADE CREDITORS

The company does not carry out a trade and therefore does not have trade creditors. However, when supplies of goods and services are made to the company, they are paid promptly and in accordance with the terms agreed with the supplier.

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  1999

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.

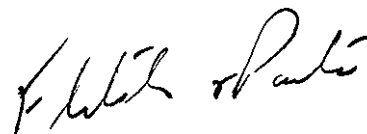
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. 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 1998 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.



FLETCHER AND PARTNERS
Chartered Accountants
and Registered Auditors

Salisbury

15 February 1999

NOVA HOLDINGS (SALISBURY) PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
RENTS RECEIVABLE		128,533	153,248
OTHER OPERATING INCOME			
Insurance Commission		781	1,106
		<hr/> 129,314	<hr/> 154,354
OPERATING CHARGES			
Property and Management Expenses	2	25,389	47,370
OPERATING PROFIT		<hr/> 103,925	<hr/> 106,984
INTEREST RECEIVABLE		-	3,252
INTEREST PAYABLE		(2,577)	(2,281)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		101,348	107,955
TAXATION	3	21,046	24,046
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		80,302	83,909
DIVIDENDS	4	49,195	43,542
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR		31,107	40,367
RETAINED PROFIT BROUGHT FORWARD		501,306	460,939
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		£532,413	£501,306
		<hr/> <hr/>	<hr/> <hr/>

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.

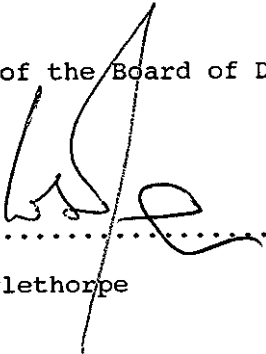
NOVA HOLDINGS (SALISBURY) PLC

BALANCE SHEET

AS AT 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
TANGIBLE FIXED ASSETS			
Investment Properties	5	703,712	805,322
Tangible Fixed Assets	6	480	961
		<hr/>	<hr/>
		704,192	806,283
CURRENT ASSETS			
Investment Properties	5	110,444	-
Debtors	7	10,073	11,194
Cash at Bank		7,721	1,323
		<hr/>	<hr/>
		128,238	12,517
CREDITORS: Amounts Falling Due Within One Year	8	95,363	112,840
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		32,875	(100,323)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		£737,067	£705,960
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up Share Capital	10	199,904	199,904
Capital Reserve	11	4,750	4,750
Profit and Loss Account		532,413	501,306
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	12	£737,067	£705,960
		<hr/>	<hr/>

Signed on behalf of the Board of Directors:


..... Chairman
W S Oglethorpe

15 February
Approved by the Board 1999

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

NOVA HOLDINGS (SALISBURY) PLCCASH FLOW STATEMENTFOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	112,112	112,373
RETURNS FROM INVESTMENTS AND SERVICING OF FINANCE			
Interest Received		-	3,802
Dividends Paid		(45,478)	(43,542)
Interest Paid		(2,577)	(2,281)
		<u>(48,055)</u>	<u>(42,021)</u>
TAXATION			
Mainstream Corporation Tax Paid		(13,151)	(18,201)
Advance Corporation Tax Paid		(11,370)	(16,570)
		<u>(24,521)</u>	<u>(34,771)</u>
INVESTING ACTIVITIES			
Purchase of Properties		-	(291,365)
Other Capital Costs		(8,834)	-
		<u>(8,834)</u>	<u>(291,365)</u>
TOTAL NET CASH INFLOW/(OUTFLOW)	(b)	<u>£30,702</u>	<u>£(255,784)</u>

NOTES TO THE CASH FLOW STATEMENT

	<u>1998</u>	<u>1997</u>
(a) <u>Reconciliation of Operating Profit and Net Cash Inflow from Operating Activities.</u>		
Operating Profit	103,925	106,984
(Increase)/Decrease in Operating Debtors	2,043	8,787
Increase/(Decrease) in Operating Creditors	5,663	(7,380)
Depreciation	481	3,982
	<u>£112,112</u>	<u>£112,373</u>
(b) <u>Reconciliation of changes in Cash and Cash Equivalents with Balance Sheet.</u>		
Cash at Bank		
Opening Balances	(22,981)	232,803
Closing Balances	7,721	(22,981)
	<u>(15,260)</u>	<u>(22,981)</u>
Increase/(Decrease) in Year:	<u>£30,702</u>	<u>£(255,784)</u>

NOVA HOLDINGS (SALISBURY) PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

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) Investment 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.

d) 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 1998

(Continued)

2. PROPERTY AND MANAGEMENT EXPENSES

	<u>1998</u>	<u>1997</u>
These include:		
Directors' Fees	£4,250	£4,250
Depreciation	£481	£3,982
Auditors' Remuneration	£2,350	£2,500
	<u> </u>	<u> </u>

3. TAXATION

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

	<u>1998</u>	<u>1997</u>
Corporation Tax chargeable for the year	21,057	24,048
Overprovision	(11)	(2)
	<u> </u>	<u> </u>
As charged in the Profit and Loss Account	£21,046	£24,046
	<u> </u>	<u> </u>

The Small Companies' Rate was 21%. 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 be taxable in 1999 as the contract became unconditional on 12 February 1999.

4. DIVIDENDS

	<u>1998</u>	<u>1997</u>
Ordinary Shares		
Interim Dividend Paid	20,615	18,741
Final Dividend Proposed	28,111	24,363
	<u> </u>	<u> </u>
	48,726	43,104
Preference Shares		
Interim Dividend Paid	282	250
Final Dividend Proposed	187	219
	<u> </u>	<u> </u>
	469	469
Overpayment 1995 Final	-	(31)
	<u> </u>	<u> </u>
	£49,195	£43,542
	<u> </u>	<u> </u>

NOVA HOLDINGS (SALISBURY) PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

(Continued)

5. INVESTMENT PROPERTIES

	<u>1998</u>	<u>1997</u>
<u>FREEHOLD LAND AND BUILDINGS</u>		
a. <u>FIXED ASSETS</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/>
	-	-
TRANSFER TO CURRENT ASSETS	(101,610)	-
	<hr/>	<hr/>
	68,925	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 in 1997	72,648	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 in 1997	218,717	218,717
	<hr/>	<hr/>
	462,113	462,113
	<hr/>	<hr/>
	£703,712	£805,322
	<hr/>	<hr/>
b. <u>CURRENT ASSETS</u>		
Vacant Salisbury Properties	101,610	-
Cost of Sale for development	8,834	-
	<hr/>	<hr/>
	£110,444	£ -
	<hr/>	<hr/>

The historic cost of the Salisbury Properties is £39,233 (1997: £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 were met on 12 February 1999. This disposal has not been reflected in these accounts, but the properties have been treated as Current Assets.

NOVA HOLDINGS (SALISBURY) PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

(Continued)

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 1998			
and 31 December 1998	37,409	1	37,410
Depreciation			
At 1 January 1998	36,449	-	36,449
Charge for the Year	480	1	481
At 31 December 1998	36,929	1	36,930
Net Book Value			
At 31 December 1998	£480	£ -	£480
At 31 December 1997	£960	£1	£961

7. DEBTORS

	<u>1998</u>	<u>1997</u>
Amounts falling due within one year:		
Rent arrears	2,998	5,041
Amounts falling due after more than one year:		
Advance Corporation Tax recoverable	7,075	6,153
	<u>£10,073</u>	<u>£11,194</u>

8. CREDITORS: Amounts falling due within one year:

	<u>1998</u>	<u>1997</u>
Rents receivable in advance	28,592	24,467
Dividends payable	28,299	24,582
Corporation Tax	9,687	13,162
Advance Corporation Tax	7,075	6,153
Value Added Tax	4,516	4,562
Other Creditors	7,043	3,673
Accruals	10,151	11,937
Bank Overdraft (secured)	-	24,304
	<u>£95,363</u>	<u>£112,840</u>

9. DEFERRED TAX

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 1998 (Continued)

10. SHARE CAPITAL

At 1 January and 31 December 1998

	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
	<u>£400,000</u>	<u>£199,904</u>

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 uncapitalised and undistributable element of the revaluation:

As at 1 January and 31 December 1998: £4,750

There was no change during the year.

12. SHAREHOLDERS' FUNDS

a) Analysis of Shareholders' Funds

	<u>1998</u>	<u>1997</u>
Non-equity Interests (3.75% Preference Shares)	12,494	12,494
Equity Interests	724,573	693,466
	<u>£737,067</u>	<u>£705,960</u>

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

	<u>1998</u>	<u>1997</u>
Profit for the Year after Taxation	80,302	83,909
Dividends	(49,195)	(43,542)
	<u>31,107</u>	<u>40,367</u>
Shareholders' Funds at 1 January 1998	705,960	665,593
	<u>£737,067</u>	<u>£705,960</u>