12 5575

Contents

Grainger

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the seventy-seventh Annual General Meeting of the Company will be held at Chaucer Buildings, 57 Grainger Street, Newcastle upon Tyne on Thursday, 22nd February 1990 at 12.30 p.m. for the following purposes:

1. To receive and adopt the report of the directors and the audited financial statements for the year ended 30th September 1989.

2. To declare a dividend.

3. To re-elect Mr. R. H. Dickinson as director.

4. To re-elect The Earl of Portsmouth as director.

5. To re-appoint Coopers & Lybrand Deloitte as auditors and to authorise the directors to fix their remuneration.

6. To transact any other ordinary business of the Company.

7. That, in accordance with Article 10A of its Articles of Association and Chapter VII of the Companies Act 1985 ("the Act"), the Company be and is hereby granted general and unconditional authority to make market purchases (as defined in Section 163 of the Act) of any of its own ordinary shares on such terms and in such manner as the Directors may from time to time determine provided always that the general authority conferred by this resolution shall:

   (i) expire at the date of the next following Annual General Meeting of the Company;

   (ii) be limited to 1,990,738 ordinary shares of 25p each;

   (iii) not permit the payment per share of more than 5 per cent above the middle market quotation on the Stock Exchange on the previous dealing day or less than 25p exclusive of advance corporation tax (if any) payable by the Company;

   (iv) before its expiry entitle the Company to enter into any contract for the purchase of its own shares which might be executed wholly or partly after its expiry; and

   (v) only be capable of variation, revocation or renewal by the Company in General Meeting.

8. That the Directors, pursuant to the general authority conferred by Resolution B passed at an Extraordinary General Meeting of the Company held on 27th February 1987, be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) as if sub-section (1) of Section 89 of the Act did not apply to any such allotment provided that this power shall be limited:—

Notice of Annual General Meeting (continued)

(i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory), and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £248,842

and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution (or, if earlier, the date which is 15 months after the passing of this Resolution) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Registered Office:
Chaucer Buildings,
57 Grainger Street,
Newcastle upon Tyne,
NE1 5LE.

By Order of the Board

P. M. MILBURN
Secretary

Dated 15th January 1990

Notes:

(i) A member of the Company who is entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote in his stead. A proxy need not be a member of the Company.

(ii) A copy of P. M. Milburn's service contract is available for inspection during business hours at the registered office of the Company until the conclusion of the Annual General Meeting.

Grainger

Directors and Officers

Directors

I. J. DICKINSON (Chairman)
S. DICKINSON, F.C.A. (Managing Director)
R. H. DICKINSON
T. M. BALCH, F.R.I.C.S.
M. R. CREASEY, F.R.I.C.S.
SIR RICHARD T. PEASE, BART
R. J. RIMINGTON, F.C.A.
THE EARL OF PORTSMOUTH
P. M. MILBURN

Secretary

P. M. MILBURN

Solicitors

DICKINSON DEES
Cross House, Westgate Road, Newcastle upon Tyne.

Registrars and Transfer Office

STENTIFORD CLOSE
Broseley House, Newlands Drive, Witham, Essex.

Bankers

BARCLAYS BANK PLC
Regent Centre, Gosforth, Newcastle upon Tyne.

Auditors

DELOITTE HASKINS & SELLS
Hadrian House, Higham Place, Newcastle upon Tyne.

Chairman's Statement

Profit and Dividend

Profit before taxation increased from £5.922m to £7.307m. The Board is recommending a final dividend of 4.05p per share which, together with the interim dividend of 1.2p per share paid on 31st July, makes total dividends of 5.25p per share as compared with 4.2p per share last year. This represents increases in profit before tax and dividend of 23 per cent and 25 per cent respectively.

Group Properties

Investment

The investment property portfolio has performed well during the year. We have completed the first two development projects out of three in Harpenden, being the refurbishment of a single large shop property and the insertion of an arcade called The Leys through the centre of a substantial block of shopping and offices which fronts High Street and Leyton Road, this is one of the main focuses of shopping in the town. The third and final project is the refurbishment and expansion of premises in Vaughan Road to create new shopping and offices next to our existing block of offices at Mardall House.

Your Directors have reviewed the future of two of our shopping centres, built in the 1960's, at St. Austell and Newton Aycliffe, which now require very substantial funding and time commitment to bring them up to modern standards. We have decided to sell these properties into the active developers market which exists for such centres.

Trading

Tenanted Residential

Sales conditions were difficult in the South, particularly in the middle of the year but have now settled down and the Group's typical lower end of the market housing stock is moving normally.

Nearly half of the Group's tenanted residential stock, measured by number of units, is situated North of Watford. This section has performed buoyantly during the year, with average vacant possession prices increasing by one third.

Land Development

Sites were sold at very advantageous prices during the financial year. The market for building land has recently become considerably more difficult but we are continuing in the current year to sell land to builders on terms which, although below those prevailing last year, continue to be satisfactory on a historic basis. Work on the outline planning application for Kennel Farm continues. During the year we completed an agreement for an instalment purchase of the vendors retained interest in the property.

Personnel

In a difficult year our Head Office staff and staff in London have worked with great enthusiasm and dedication in order to achieve these results and I am most grateful to all of them.

Grainger

Chairman's Statement
(continued)

Prospects

The year has been one of consolidation for the Group at its increased size following the substantial asset increases achieved in the previous year. These mainly derived from the acquisitions of Atlantic Metropolitan (UK) plc and Channel Hotels and Properties (UK) Limited. This consolidation process involves review of the Group's total portfolio and appropriate adjustments; mention has been made above of the planned sale of two of our 1960's shopping centres. Some noticeable reduction in Group indebtedness is likely to result from these disposals. Also I hope that the peak of the interest rate cycle has been reached. Any hardening in house prices combined with lower interest rates will substantially benefit Group earnings. Home ownership has for many years been a very effective hedge against inflation and in the medium term I am confident that this will continue. Accordingly our very substantial stock of houses and flats together with our commercial portfolio and development land holdings should combine to serve the Group well.

IAN J. DICKINSON

Chairman

15th January 1990

Directors' Report

The directors present their report and the audited financial statements for the year ended 30th September 1989.

Principal Activities
During the year the Group has continued its activities of property investment and trading.

Review of Business Developments and Prospects
Development of the Group's activities and its prospects are reviewed in the Chairman's Statement on pages 5 and 6.

Results for the year
The results of the Group are set out in the consolidated profit and loss account on page 12 which shows profit for the year available to shareholders of £4.648m (1988 – £3.947m).

An Interim dividend of 1.2p per share was paid on 31st July 1989 amounting to £239,000 and the directors recommend the payment of a final dividend of 4.05p per share amounting to £806,000. It is recommended that the balance of £3.603m be transferred to reserves.

The total distribution of £1.045m represents a 25% increase over that for the year to 30th September 1988, which was 4.2p per share.

Properties
The valuation of investment properties at 30th September 1989 is shown in Note 9 of the financial statements, together with the additions and disposals during the year.

Directors' and other interests
The directors who held office during the year and their interests in the share capital of the Company as at 30th September 1989, with comparative figures as at 1st October 1988, are as follows:

	Ordinary shares of 25p each (Thousands)					
	Beneficial			Non-Beneficial		
	1st October 1988	30th September 1989	1st January 1990	1st October 1988	30th September 1989	1st January 1990
I.J. Dickinson	164	162	162	276	272	272
S. Dickinson	1,601	1,602	1,602	—	—	—
R.H. Dickinson	459	467	467	1,299	1,420	1,314
T.M. Balch	69	65	65	—	—	—
M.R. Creasey	8	8	8	—	—	—
Sir R.T. Pease, Bart	139	136	136	114	114	114
R.J. Rimington	—	—	—	3,847	3,981	3,981
The Earl of Portsmouth	—	—	—	—	—	—
P.M. Milburn	113	113	113	—	—	—
	2,553	2,553	2,553	5,536	5,787	5,681
Number of shares included above held by trust of which I.J. Dickinson and R.H. Dickinson are both trustees		—	—	181	180	180

The non-beneficial holding of R.J. Rimington is as a trustee of the Portsmouth Settled Estates.

Grainger

Directors' Report
(continued)

Directors' and other Interests (continued)
Save as disclosed above the directors are not aware of any other holding representing 5% or more of the issued share capital of the Company.

In January 1989 Mr. S. Dickinson and Mr. P.M. Milburn took up options under the Company's Executive Share Option Scheme to purchase respectively 60,000 and 40,000 25p ordinary shares in the Company at a price of £4.48 per share, exercisable until 3rd January 1999. None of these options have been exercised to date.

Mr. I.J. Dickinson was a partner in Dickinson Dees, Solicitors, until his retirement on 31st March 1987, and is now a consultant to that firm and Mr. R.H. Dickinson is a partner in Dickinson Dees, Solicitors. Total net payments, which have been made on normal commercial terms from the Group to Dickinson Dees for the year ended 30th September 1989 amounted to £351,111.

Mr. T.M. Balch is a partner in Richards & Rose, Chartered Surveyors, managing agents for the residential properties in the London area. Total payments, before allowing for sub-agency, which have been made on normal commercial terms from the Group to Richards & Rose for the year ended 30th September 1989 amounted to £175,859.

In accordance with the Articles of Association, Mr. R.H. Dickinson and The Earl of Portsmouth retire by rotation, and being eligible, offer themselves for re-election. Neither director has a service contract of more than one year's duration.

Special Business
Last year shareholders authorised the Company to purchase its own shares under certain circumstances. This power lapses at the Annual General Meeting. Although the Company has not made any such purchases during the last year, your Directors consider that it would continue to be advisable to have the power to do so and Resolution 7 contains such an authority. This power will be limited to 10% of the Company's issued share capital and will only be used if as a result the assets per share would be increased. Regard would also be had to the adequacy of the Company's capital base.

In successive years shareholders have been asked to disapply the statutory rights of pre-emption in connection with the issue of shares for cash, in circumstances of a rights issue or in connection with the issue of shares not exceeding 5% of the existing issue share capital. Resolution 8 continues such a practice.

Close Company
The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Charitable Donations
During the year the Group has made the following contributions:

	£
United Kingdom Charitable Donations	8,125

Auditors
Our auditors Deloitte Haskins & Sells have notified us that they are in the process of merging their practice with Coopers & Lybrand and that with effect from 15th January 1990 they will adopt Coopers & Lybrand Deloitte as their business name. A resolution to reappoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the Annual General Meeting.

Chaucer Buildings,
Newcastle upon Tyne
15th January 1990

By Order of the Board
P.M. MILBURN
Secretary

Auditors' Report

to the Members of Grainger Trust p.l.c.

We have audited the financial statements on pages 10 to 25 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th September 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Haskins Sells

DELOITTE HASKINS & SELLS
Chartered Accountants

Newcastle upon Tyne
15th January 1990

Grainger

Statement of Accounting Policies

The principal accounting policies of the Group are as follows:

Accounting Convention
The Company prepares its annual financial statements on the historical cost basis of accounting, subject to the revaluation of investment properties.

Basis of Consolidation
The Group financial statements comprise the consolidated financial statements of the Company and its subsidiaries. The financial statements of subsidiary companies are all made up to 30th September 1939.

Subsidiaries that were aquired have been recorded on the basis of the acquisition method of accounting, whereby the consideration given and the net assets acquired are recorded at fair value. Goodwill arising on acquisitions is charged directly to capital reserves.

The appropriate share of all joint venture revenue and balance sheet items are incorporated in the Group financial statements.

Turnover
Turnover comprises rentals, trading profits which represent the net profit on properties sold during the year by trading subsidiaries, and investment and other income.

Sales of properties by trading subsidiaries are only accounted for when the cash proceeds are received in full or the Company has entered into formal documentation relating to any postponement of consideration.

Profits on Investments and Investment Properties
Profits after taxation on sales of investments and on properties held by investment companies are appropriated to capital reserves.

Foreign Currencies
The financial statements of overseas subsidiaries are converted into sterling at the exchange rate ruling at the year end. The difference arising on conversion is dealt with in other reserves.

Repairs
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.

Statement of Accounting Policies (continued)

Depreciation
No depreciation is provided on investment properties. The directors consider that this accounting policy results in the financial statements giving a true and fair view. Other tangible fixed assets are depreciated on a basis which writes them down to their residual value over their expected useful lives.

Motor vehicles	25% p.a. straight line
Office equipment	20% p.a. reducing balance
Lease equipment	straight line over the life of the lease

Investment Properties
In accordance with SSAP19 Investment properties are included in the financial statements at their open market value based on the latest professional valuation and the aggregate surplus or deficit is transferred to a revaluation reserve.

Investments
Investments in subsidiaries and other investments are included in the financial statements at cost. The investment in the joint venture represents the Company's share of the joint venture's net assets, which include investment properties at the latest valuation.

Trading Properties
Trading properties are shown in the financial statements at the lower of cost to the Group and net realisable value. Cost to the Group includes legal and surveying charges incurred during acquisition plus improvement costs net of grants received.

Deferred Taxation
Provision is made for deferred taxation, at the current rate of taxation, to the extent that the directors consider there is a reasonable probability that such a liability will arise in the foreseeable future.

Leased Assets
Assets acquired under finance leases are included in tangible fixed assets and the outstanding future lease obligations are shown in creditors.

The finance charges and obligations have been calculated using the actuarial method.

Grainger

Consolidated Profit and Loss Account

For the year ended 30th September 1989

1988 £000		Notes	1989 £000
6,099	Gross rental income		9,475
10,995	Trading profits		19,466
191	Investment and other income	2	283
17,285	Turnover		29,224
	Less:		
3,895	Property expenses		4,823
976	Management expenses		1,237
6,492	Interest payable	3	15,857
11,363			21,917
5,922	Profit on ordinary activities before taxation and minority interests	4	7,307
1,976	Taxation	6	2,659
(1)	Minority interests		–
3,947	Profit on ordinary activities after taxation and minority interests	1	4,648
638	Profit on sale of investment properties		608
7	Profit on sale of investments		9
(2)	Taxation on capital profits		(39)
4,590			5,226
643	Transfer to capital reserves	16	578
3,947			4,648
832	Dividends	7	1,045
3,115	Retained profit for the year	16	3,603
20.42p	Earnings per share	8	23.35p

Balance Sheets

at 30th September 1989

Group 1988 £000	Company 1988 £000		Notes	Group 1989 £000	Company 1989 £000
		Fixed assets			
48,292	19,052	Tangible assets	9	57,711	237
1,447	38,671	Investments	10	4,225	41,666
49,739	57,723			61,936	41,903
		Current assets			
109,847	–	Trading properties	12	125,239	–
3,602	24,094	Debtors	13	2,460	39,724
324	–	Cash at bank and in hand		204	–
113,773	24,094			127,903	39,724
24,499	13,468	**Creditors: amounts falling due within one year**	14	28,493	20,055
89,274	10,626	**Net current assets**		99,410	19,669
139,013	68,349	**Total assets less current liabilities**		161,346	61,572
100,742	41,832	**Creditors: amounts falling due after more than one year**	14	111,963	34,267
		Provision for liabilities and charges			
3,645	–	Deferred taxation	17	2,954	–
34,626	26,517	**Net assets**		46,429	27,305
		Capital and reserves			
4,977	4,977	Called-up share capital	15	4,977	4,977
7,540	7,540	Share premium account	16	7,540	7,540
10,193	9,849	Revaluation reserve	16	18,497	1,642
2,844	1,564	Other reserves	16	2,707	10,405
9,034	2,587	Profit and loss account	16	12,637	2,741
34,588	26,517	Shareholders' funds		46,358	27,305
38	–	Minority interests		71	–
34,626	26,517	**Total capital employed**		46,429	27,305

The financial statements on pages 10 to 25 were approved by the board of directors on 15th January 1990 and were signed on its behalf by:

I.J. DICKINSON
S. DICKINSON } Directors

Grainger

Consolidated Statement of Source and Application of Funds

For the year ended 30th September 1989

1988 £000		1989 £000
	Source of funds	
5,922	Profit on ordinary activities before taxation	7,307
	Adjustment for items not involving the movement	
69	of funds	97
5,991	**Funds generated from operations**	7,404
106,038	Mortgages and bank loans	20,373
3,440	Sale of investment properties – net	2,488
2,750	Shares issued on acquisition of subsidiaries	–
118,219	**Total source of funds**	30,265
	Application of funds	
29,950	Purchase of tangible fixed assets	3,042
1,379	Purchase of fixed asset investments	2,782
38,958	Mortgage and bank loan repayments	5,031
1,407	Taxation paid	3,866
678	Dividends paid	889
	Net additional goodwill arising on acquisition	
243	of subsidiaries	718
72,615	**Total application of funds**	16,328
45,604	**Net source of funds**	13,937
	The net source of funds is represented by the following increase in working capital:	
47,546	Trading properties	15,392
1,952	Debtors	(1,142)
(9,588)	Creditors	(2,464)
39,910		11,786
	Movements in net liquid funds:	
5,694	Bank overdrafts and bank balances	2,151
45,604	**Increase in working capital**	13,937

Notes to the Financial Statements

For the year ended 30th September 1989

1. The group financial statements do not include a separate profit and loss account for Grainger Trust p.l.c. (the parent company) as permitted under section 228(7) of the Companies Act 1985. The amount of group profit after taxation and minority interests attributable to Grainger Trust p.l.c. dealt with in the accounts of the parent company is £1,199,000 (1988 – £1,035,000)

2. **Investment and other income**

1988 £000		1989 £000
29	Income from fixed asset investments	37
55	Interest received	102
107	Management fees and commissions	144
191		283

3. **Interest payable**

1988 £000		1989 £000
12	Finance charges payable on finance leases	5
	On bank loans, overdrafts and other loans:	
2,321	Repayable within 5 years, not by instalments	5,148
1,001	Repayable within 5 years, by instalments	4,226
3,158	Repayable wholly or partly in more than 5 years	6,478
6,492		15,857

4. **Profit on ordinary activities before taxation**

1988 £000		1989 £000
	Profit on ordinary activities before taxation is stated after charging:	
41	Depreciation of tangible fixed assets	100
55	Auditors' remuneration (including expenses)	68

Grainger

Notes to the Financial Statements

For the year ended 30th September

5. Employees

1988 £000		1989 £000
	Staff costs (including directors) during the year:	
341	Wages and salaries	655
34	Social security costs	48
34	Other pension costs	41
409		744

The average weekly number of persons employed by the Group during the year, (excluding directors) was 25 (1988 – 12).

The remuneration paid to the directors of Grainger Trust p.l.c. was:

1988 £000		1989 £000
36	Fees	48
213	Other emoluments (including pension contributions)	320
249		368

The directors' remuneration disclosed above (excluding pension contributions) included amounts paid to:

1988 £000		1989 £000
30	The chairman	38
108	The highest paid director	138

The number of other directors who received emoluments (excluding pension contributions) in the following ranges was:

Number		Number
6	£5,001 – £10,000	5
—	£15,001 – £20,000	1
1	£40,001 – £45,000	—
—	£90,001 – £95,000	1

Notes to the Financial Statements

For the year ended 30th September 1989

5. Employees (continued)

The number of senior employees of Grainger Trust p.l.c., other than directors, who received remuneration (excluding pension contributions) in the following ranges was:

1988 Number		1989 Number
–	£30,001 – £35,000	2
–	£40,000 – £45,000	1

6. Taxation

1988 £000		1989 £000
	U.K. corporation tax at 35% (1988 – 35%):	
2,079	Current	3,548
(55)	Deferred taxation (see note 17)	(619)
	Overprovision in respect of prior years:	
(48)	Current	(270)
1,976		2,659

7. Dividends

1988 £000		1989 £000
	Ordinary shares:	
	Interim paid of 1.2p per share	
182	(1988 – 0.9375p per share as adjusted)	239
	Final proposed of 4.05p per share	
650	(1988 – 3.2625p per share as adjusted)	806
832		1,045

8. Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit after taxation and minority interests of £4,648,000 (1988 – £3,947,000) and on 19,907,383 (1988 – 19,324,795), being the number of shares in issue and ranking for dividend during the year (1988 – weighted average)

1988		1989
20.42p	Earnings per ordinary share	23.35p

Grainger

Notes to the Financial Statements

For the year ended 30th September 1989

9. Tangible fixed assets

	Group			Company		
	Investment properties	Fixtures, fittings and equipment	Total	Investment properties	Fixtures, fittings and equipment	Total
Cost or valuation	£000	£000	£000	£000	£000	£000
At 1st October 1988	48,016	388	48,404	18,871	293	19,164
Exchange differences	5	—	5	—	—	—
Surplus on revaluation	9,224	—	9,224	—	—	—
Additions	2,862	180	3,042	1,115	118	1,233
Disposals	(1,259)	—	(1,259)	(469)	—	(469)
Transfers to trading stock subsequently sold	(1,493)	—	(1,493)	—	—	—
Transfers to group company	—	—	—	(19,517)	—	(19,517)
At 30th September 1989	57,355	568	57,923	—	411	411
Depreciation						
At 1st October 1988	—	112	112	—	112	112
Charge for the year	—	100	100	—	62	62
At 30th September 1989	—	212	212	—	174	174
Net Book Value						
At 30th September 1989	57,355	356	57,711	—	237	237
At 30th September 1988	48,016	276	48,292	18,871	181	19,052

Investment properties at net book value comprise:

	Group 1988	Group 1989	Company 1988	Company 1989
	£000	£000	£000	£000
Freeholds	42,761	51,290	18,871	—
Long leaseholds	5,255	6,065	—	—
	48,016	57,355	18,871	—

The Group is rationalising its property holdings in various subsidiaries. As part of this process, the Company's investment properties were transferred to Grainger Investment Properties Limited, a wholly owned subsidiary of Atlantic Metropolitan (U.K.) p.l.c., during the year.

The net book value of fixtures, fittings and equipment of Group and Company includes an amount of £41,000 (1988 – £51,000) in respect of assets held under finance leases.

Group investment properties were revealed at their open market value at 30th September 1989 by Jones Lang Wootton, Smiths Gore, Knight, Frank & Rutley and Richards & Rose (all Chartered Surveyors).

If investment properties had not been revalued they would have been included at the following amounts:

	Group 1988	Group 1989	Company 1988	Company 1989
	£000	£000	£000	£000
Cost	36,997	37,992	10,291	—

Notes to the Financial Statements

For the year ended 30th September 1989

10. Investments

Cost or valuation	Group Other investments £000	Company Other investments £000	Company Subsidiaries £000	Company Joint venture £000	Company Total £000
At 1st October 1988	1,447	20	37,056	1,595	38,671
Surplus on revaluation	–	–	–	493	493
Additional cost arising on the acquisition of CHAPs	–	–	390	–	390
Additions	2,782	2,500	–	254	2,754
Disposals	(4)	–	–	(642)	(642)
At 30th September 1989	4,225	2,520	37,446	1,700	41,666

Investments at net book value include:	Group Other investments 1988 £000	Group Other investments 1989 £000	Company Other investments 1988 £000	Company Other investments 1989 £000
Investments listed on a recognised stock exchange	48	43	–	–
Aggregate market value of listed investments	153	118	–	–
Market value of investments quoted on the USM	–	2,018	–	–
Unlisted investments at directors valuation	1,870	3,020	20	2,520
	2,023	5,156	20	2,520

Listed investments include 30,113 (1988 – 33,161) 25p ordinary shares in Grainger Trust p.l.c. held by a subsidiary, which have a market value of £118,000 (1988 – £153,000).

At 30th September 1989 the Company owned 10.8% (1988 – 11.1%) of the ordinary share capital of James Smith Estates p.l.c., a company quoted on the USM. The cost of this holding was £1,482,140 (1988 – £1,200,000) and the market value of the shares at 30th September 1989 was £2,018,000 (1988 – unquoted).

Principal subsidiary companies at 30th September 1989

	% Holding Equity Capital	Country of incorporation and Principal Country of Operation
Northumberland & Durham Property Trust Limited	100	England
Atlantic Metropolitan (U.K.) p.l.c. Group	100	England
Grainger (London) Limited Group	100	England
Seaton Valley Properties Ltd	100	England
Derwent Developments Limited	100	England
Hatch Warren Limited	100	England
Grainger BVI Limited	100	British Virgin Islands
Mayaba Ridge Syndicate Limited	65	British Virgin Islands

Only the Group's operating subsidiaries are shown above. An analysis of turnover and results by geographical market for the British Virgin Island companies has not been given on the grounds of immateriality.

Grainger

Notes to the Financial Statements

For the year ended 30th September 1989

11. Capital Commitments

Capital expenditure of the Group and the Company that has been contracted for but has not been provided for in the financial statements amounts to £NIL (1988 – £NIL)

12. Trading Properties

Group 1988 £000	Company 1988 £000		Group 1989 £000	Company 1989 £000
109,847	–	At cost	125,239	–

The current replacement cost of the Group's trading properties has been estimated at £187.6m by appropriately qualified professional advisers (1988 – £189.7m).

13. Debtors

Group 1988 £000	Company 1988 £000		Group 1989 £000	Company 1989 £000
		Amounts falling due within one year:		
1,691	198	Trade debtors	1,646	37
–	23,229	Amounts owed by subsidiaries	–	39,382
–	208	Deferred taxation asset (See note 17)	–	282
1,429	359	Other debtors	264	13
482	100	Prepayments and accrued income	550	10
3,602	24,094		2,460	39,724

Notes to the Financial Statements

For the year ended 30th September 1989

14. Creditors

	Group 1989 £000	Company 1989 £000	Group 1988 £000	Company 1988 £000
Amounts falling due within one year:				
12% convertible loan stock 1991/97	2,160	–	2,160	–
Current instalments due on loans and finance leases	7,140	6,015	3,018	2,014
Bank overdrafts (secured)	2,931	1,656	5,202	2,698
Deposits received	10	–	2,278	–
Trade creditors	5,528	–	1,363	287
Amounts owed to subsidiaries	–	9,424	–	7,162
Dividends payable	806	806	650	650
Corporation tax and advance corporation tax payable	5,047	348	5,524	344
Other taxation and social security payable	80	46	52	49
Other creditors	854	–	2,882	144
Accruals and deferred income	3,937	1,760	1,370	120
	28,493	20,055	24,499	13,468
Amounts falling due after more than one year:				
11¾% First Mortgage Debenture Stock, repayable on 31st March 2024 if not previously repurchased	3,000	3,000	3,000	3,000
Mortgages and other loans	1,411	240	1,316	240
Bank loans and obligations under finance leases	114,692	37,042	99,444	40,606
	119,103	40,282	103,760	43,846
Less: Current instalments due on loans and finance leases	7,140	6,015	3,018	2,014
	111,963	34,267	100,742	41,832

Grainger

Notes to the Financial Statements

For the year ended 30th September 1989

14. Creditors (continued)

Group 1988 £000	Company 1988 £000		Group 1989 £000	Company 1989 £000
		Mortgages and other loans:		
		Repayable by instalments as follows:		
–	–	In one year or less	–	–
272	–	Between one and two years	233	–
8	–	Between two and five years	583	–
796	–	In five years or more	355	–
240	240	Other loans	240	240
1,316	240		1,411	240
		Bank loans and obligations under finance leases:		
–	–	Repayable otherwise than by instalments in more than five years	10,000	–
		Repayable by instalments as follows:		
3,018	2,014	In one year or less	7,140	6,015
33,051	4,019	Between one and two years	41,015	15,015
29,034	24,023	Between two and five years	25,037	16,012
23,363	–	In five years or more	31,500	–
10,978	10,550	Other loans	–	–
99,444	40,606		114,692	37,042

The 12% convertible loan stock issued by the Company's 100% owned subsidiary Atlantic Metropolitan (UK) p.l.c. is guaranteed as to payment of principal and interest by that company's original parent company, Hallwood Group Inc.. The stock is convertible into Hallwood Group Inc. common stock at the holder's option at the current rate of 0.2164 shares of Hallwood common stock per £1 principal of loan stock. The right to convert expires on 30th November 1990. After that date, Atlantic Metropolitan (UK) p.l.c. has the right to redeem the loan stock as follows:–

During the year ended 30th September	Redemption price *(per £1 of loan stock)*
1991	1.05
1992	1.04
1993	1.03
1994	1.02
1995	1.01
1996 – 1997 inclusive	1.00

The loan stock, unless previously converted, redeemed or purchased, will be repaid on 31st July 1997 at par together with interest accrued up to the date of repayment. Interest is payable half yearly in arrears.

The 11¾% First Mortgage Debenture Stock 2024, mortgages and loans are secured by way of fixed and floating charges over the Group's properties.

Notes to the Financial Statements

For the year ended 30th September 1989

15. Called-up share capital

1988 £000		1989 £000
	Authorised:	
6,250	25,000,000 ordinary shares of 25p each	6,250
	Allotted, called-up and fully paid:	
4,977	19,907,383 ordinary shares of 25p each	4,977

During the year, an approved Executive Share Option Scheme was set up. Upon payment of £1, options were taken up by four senior executives to purchase a total of 140,000 fully paid ordinary shares of the Company at £4.48 per share. These options are exercisable not later than 3rd January 1999. As at 30th September 1989, none of these options had been exercised.

16. Reserves

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Group				
At 1st October 1988	7,540	10,193	2,844	9,034
Additional goodwill arising on acquisition	–	–	(718)	–
Surplus on revaluation of investment properties	–	9,224	–	–
Less minority interest	–	(33)	–	–
Exchange surplus	–	–	3	–
Profit on disposal of investment properties and investments	–	(451)	578	–
Properties transferred to trading stock subsequently sold	–	(436)	–	–
Retained profit for year	–	–	–	3,603
At 30th September 1989	7,540	18,497	2,707	12,637

Additional goodwill arose on the *finalisation of the completion of the acquisition of* CHAPs and Atlantic groups in 1988.

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Company				
At 1st October 1988	7,540	9,849	1,564	2,587
Surplus on revaluation of joint venture investment properties	–	493	–	–
Profit on disposal of investment properties	–	(358)	499	–
Amounts realised on transfers to Grainger Investment Properties Limited (see note 9)	–	(8,342)	8,342	–
Retained profit for year	–	–	–	154
At 30th September 1989	7,540	1,642	10,405	2,741

Grainger

Notes to the Financial Statements

For the year ended 30th September 1989

17. Deferred Taxation

Deferred taxation provided in the financial statements is as follows:

Amount provided 1988 £000		Amount provided 1989 £000
	Group	
	Tax effect of timing differences due to:	
8	Excess of tax allowances over depreciation	6
169	Revaluation of trading properties arising on acquisition of subsidiaries	165
3,684	Revaluation of investments arising on acquisition of subsidiaries	3,071
3,861		3,242
(216)	Less: Advance corporation tax	(288)
3,645		2,954
	Company	
	Tax effect of timing differences due to:	
8	Excess of tax allowances over depreciation	6
(216)	Less: Advance corporation tax	(288)
(208)		(282)

In the Company and Group there is a contingent liability in respect of deferred taxation not provided on the revaluation of investment properties owned by the Company amounting to £6,250,000 (1988 – £2,529,000).

The movements on the Group provision for deferred taxation are as follows:

	£000	£000
Provision at 1st October 1988		3,861
Transferred from profit and loss account	(2)	
Released on disposal of investments	(617)	(619)
Provision at 30th September 1989		3,242

Notes to the Financial Statements

For the year ended 30th September 1989

18. Contingent liabilities

The Company has guaranteed the bank loans and overdrafts of subsidiary companies amounting to £68,748,000 (1988 – £52,754,497).

The Company has entered into cross-options with the co-owners of certain land whereby Grainger Trust can require them to sell their interests in the land to the Company, and vice versa.

19. Balance sheet format

The balance sheets are presented in accordance with format 1, as defined in schedule 4 of the Companies Act 1985. This format distinguishes between short and long term liabilities.

Grainger

Ten Year Record

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	£'000									
Turnover	1,373	1,901	2,532	3,353	4,718	5,839	7,134	12,709	17,285	29,224
Profit before taxation	415	560	712	1,216	1,622	1,926	2,518	3,957	5,922	7,307
Profit after taxation and minority interests	196	439	454	611	855	1,152	1,611	2,605	3,947	4,648
Dividends paid	83	100	142	182	228	282	494	640	832	1,045
	pence per share									
Earnings*	1.79	2.97	3.37	4.70	6.57	8.87	10.81	13.72	20.42	23.35
Dividends*	0.75	0.91	1.12	1.40	1.75	2.17	2.67	3.33	4.20	5.25
Group balance sheet	£'000									
Fixed assets at valuation and trading properties at cost	8,725	9,975	14,078	18,033	24,002	28,722	39,293	80,328	160,162	188,106
Fixed assets at valuation and trading properties at replacement value	12,057	13,303	17,518	25,381	32,187	39,613	55,075	124,927	240,015	250,435
Share capital and reserves	3,617	4,792	7,351	6,594	7,315	9,240	15,516	25,102	34,588	46,358
	£ per share									
Net assets on financial statements basis*	0.33	0.44	0.58	0.53	0.59	0.72	0.96	1.31	1.74	2.33
Net assets including fixed assets and trading properties at replacement value*	0.63	0.74	0.85	1.09	1.21	1.56	1.94	3.63	5.78	5.51

*As adjusted for capitalisation issues.