Northern Trust Company Limited

Directors' report and financial statements

Registered number 735621

31 March 2002

Contents

Directors' report

The directors present their report, together with the financial statements for the year ended 31 March 2002.

Principal activities

The principal activities of the company during the year were property and corporate investment.

Business review

In June 2001 the company completed the acquisition of a property portfolio from Workspace plc for a consideration of £44.3m.

The directors are satisfied with the results for the year.

Results and dividends

The retained profit for the financial year attributable to shareholders is £7,422,000 *(2001 restated: £9,264,000)* and has been transferred to reserves. The directors do not recommend the payment of a dividend *(2001: £nil)*.

Fixed assets

The company has not revalued its investment properties which is a requirement under Statement of Standard Accounting Practice ("SSAP") 19. The directors are of the view that the investment properties are prudently stated in the accounts at the book value £181,740,000. Furthermore, the directors are of the view that the open market value of these investment properties is well in excess of the book value.

Directors

The directors who held office during the year were as follows:

G Hamilton
PG Hemmings (appointed 27 February 2002)
TR Parkinson (appointed 27 February 2002)
TJ Hemmings (resigned 27 February 2002)
K Bolton (resigned 27 February 2002)
C Homer (resigned 27 February 2002)
S Stott (resigned 27 February 2002)

No rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Employees

The company's activities are geographically spread and local managers are responsible for employee relations and development on a day to day basis. This is supported by regular visits by senior executives who are available to explain and provide employees with information on matters of concern to them as employees and to enable their views to be taken into account.

It is the policy and practice of the company to give equal consideration to applications for employment from disabled persons having regard to the particular aptitudes and abilities of the applicants concerned. The services of any existing employee who becomes disabled are retained wherever practicable.

Auditors

Pursuant to a shareholders' resolution the company is not obliged to re-appoint its auditors annually.

Following the year end the business of KPMG was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 17 October 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the board

G Hamilton
Director

Lynton House
Ackhurst Park
CHORLEY
Lancashire
PR7 1NY

30 January 2003

KPMG

Edward VII Quay
Navigation Way
Ashton-on-Ribble
PRESTON
Lancashire PR2 2YF

Independent auditor's report to the members of Northern Trust Company Limited

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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.

Qualified opinion arising from disagreement about accounting treatment

As explained in note 8 the company has not recorded its interest in investment properties at open market value as at 31 March 2002, as required by Statement of Standard Accounting Practice No. 19: *Accounting for Investment Properties*. As no valuation has been carried out as at 31 March 2002, it is not possible for us to quantify the effect of this departure.

Except for any adjustments that might have been necessary to include investment properties at open market value, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

19/01/ 2003

Profit and loss account

for the year ended 31 March 2002

	Note	2002 £000	Restated 2001 £000
Turnover	*1*	**23,186**	16,328
Cost of sales		**(5,465)**	(3,816)
Gross profit		**17,721**	12,512
Administrative expenses		**(1,343)**	(1,036)
Other operating income	*2*	**171**	1,392
Operating profit	*3*	**16,549**	12,868
Amounts written off investments		**(100)**	(100)
Net interest payable	*6*	**(7,078)**	(4,297)
Profit on ordinary activities before taxation		**9,371**	8,471
Taxation on profit on ordinary activities	*7*	**(1,949)**	793
Retained profit for the financial year	*15*	**7,422**	9,264

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 March 2002

	2002 £000	Restated 2001 £000
Retained profit for the financial year	7,422	9,264
Total recognised gains and losses relating to the financial year	7,422	9,264
Prior year adjustment (note 1)	(8,030)	
Total recognised gains and losses since last annual report	(608)	

Note of historical cost profits and losses

for the year ended 31 March 2002

	2002	Restated 2001
	£000	£000
Reported profit on ordinary activities before taxation	**9,371**	8,471
Realisation of property revaluations of earlier years	**-**	471
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**62**	62
Historical cost profit on ordinary activities before taxation	**9,433**	9,004
Historical cost profit for the year retained after taxation and dividends	**7,484**	9,797

Balance sheet
as at 31 March 2002

	Note	2002 £000	2002 £000	Restated 2001 £000	Restated 2001 £000
Fixed assets					
Tangible assets	*8*		**183,311**		124,459
Investments	*9*		**285**		385
			183,596		124,844
Current assets					
Debtors	*10*	**2,877**		3,624	
Cash at bank and in hand		**82**		2,474	
		2,959		6,098	
Creditors: amounts falling due within one year	*11*	**(7,764)**		(10,624)	
Net current liabilities			**(4,805)**		(4,526)
Total assets less current liabilities			**178,791**		120,318
Creditors: amounts falling due after more than one year	*11*		**(109,446)**		(60,539)
Provisions	*12*		**(10,174)**		(8,030)
Net assets			**59,171**		51,749
Capital and reserves					
Called up share capital	*13*		**1,005**		1,005
Share premium account	*14*		**145**		145
Investment property revaluation reserve	*14*		**22,341**		22,403
Profit and loss account	*14*		**35,680**		28,196
Equity shareholders' funds	*15*		**59,171**		51,749

Approved by the board of directors on 30 January 2003 and signed on its behalf by:

G Hamilton
Director

Notes to the financial statements

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has adopted FRS 18 'Accounting policies', FRS 19 'Deferred tax' and Urgent Issues Task Force ("UITF") 28 'Operating lease incentives' in these financial statements. The comparative figures have been restated accordingly.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and within the requirements of the Companies Act 1985, except for the revaluation of certain freehold and leasehold properties and the accounting treatment of Government grants as explained below.

The company is exempt by s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard Number 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of TJH Group Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Change in accounting policy

The directors have adopted the requirements of FRS 19 : Deferred Taxation, during the current period. FRS 19 requires the adoption of a policy of full recognition for all timing differences which exist at the balance sheet date except as otherwise required by the standard. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is more likely than not that amounts are recoverable.

The effect of the change in accounting policy, which has been shown as a prior year adjustment, has been to recognise a deferred tax liability of £8,030,000 increasing provisions by this amount at 31 March 2001, increasing the profit for the year ended 31 March 2001 by £793,000 and reducing shareholders' funds as at 31 March 2001 by £8,030,000. During the year ended 31 March 2002 the deferred tax liability has increased, reducing both the retained profit for the year and net assets at that date by £2,144,000

Related party transactions

The directors have taken advantage of the exemption in Financial Reporting Standard Number 8, paragraph 3(c) and have not disclosed transactions with entities that are part of TJH Group Limited.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. All turnover arises in the United Kingdom.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Tangible fixed assets and depreciation

Investment properties are not revalued on an annual basis. This is not in accordance with Statement of Standard Accounting Practice ("SSAP") 19 which requires annual revaluations to open market value.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty years to run. This treatment may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Freehold and long leasehold buildings are depreciated on a straight line basis to their residual values over a period of 50 years. No depreciation is provided on freehold and long leasehold land.

The cost or valuation of other tangible fixed less their estimated residual value is written off on a straight line basis over their useful lives. The principal annual rates in use are:

Short leasehold	-	Over the period of the lease
Plant and machinery	-	25%
Fixtures and fittings	-	20%
Motor vehicles	-	25%

Government grants

Grants received relating to investment properties have been deducted from the cost of the fixed assets. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires assets to be shown at their purchase price or production cost and hence grants to be presented as deferred income. This departure from the requirements of the Companies Act 1985 is, in the opinion of the directors, necessary to give a true and fair view as no provision is made for depreciation under SSAP 19 and any grants relating to such assets would not be taken to the profit and loss account. The effect of this departure is that the net book value of fixed assets is £3,057,000 lower than it would otherwise have been *(2001: £2,184,000).*

Investments

Investments are stated at cost less provision for any permanent diminution in values.

Notes *(continued)*

1 Statement of accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision without discounting is made for deferred taxation in accordance with FRS 19.

Amounts claimed or surrendered by way of group relief are transferred at £nil consideration.

Leasing and hire purchase commitments

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions

The company operates defined contribution pension schemes for the benefit of certain of its employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

2 Other operating income

Other operating income forms part of the company's normal trading activities and comprises profit on disposal of investment properties and the results of the company's equity investments as follows:

	2002	2001
	£000	£000
Profit on disposal of investment properties	**64**	1,373
Other miscellaneous income	**107**	19
	171	1,392

Notes *(continued)*

3 Operating profit

	2002 £000	2001 £000
Operating profit is stated		
after crediting:		
Property rents receivable	**19,929**	13,960
after charging:		
Depreciation:		
owned assets	**116**	98
leased assets	**86**	70
Auditors' remuneration	**24**	24

4 Staff numbers and costs

The average number of persons employed by the company during the year (including directors) was:

	2002 Number	2001 Number
Management and administration	**18**	16

	2002 £000	2001 £000
Employee costs (including directors):		
Wages and salaries	**383**	307
Social security costs	**23**	45
Other pension costs	**17**	8
	423	360

5 Directors' remuneration

Directors' remuneration of £101,000 (*2001: £90,000*) includes pension scheme contributions of £7,500 (*2001:£6,000*). The number of directors to whom benefits are accruing under the defined contribution scheme is two *(2001: one).*

6 Net interest payable

	2002 £000	2001 £000
Interest payable:		
On loans from group undertakings	**7,080**	4,299
Interest receivable:		
On other loans	**(2)**	(2)
	7,078	4,297

Notes *(continued)*

7 Taxation on profit on ordinary activities

	2002 £000	Restated 2001 £000
Adjustment relating to prior years	**(195)**	-
Movement in deferred tax	**2,144**	(793)
	1,949	(793)

	2002 £000	2001 £000
Profit on ordinary activities before taxation	**9,371**	8,471
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% *(2000: 30%)*	**2,811**	2,541
Effects of:		
Group relief surrendered from fellow group companies	**(715)**	(2,830)
Capital allowances for period in excess of depreciation	**(1,160)**	(842)
Expenses not deductible for tax purposes	**102**	93
Utilisation of tax losses / carried forward tax losses	**(1,038)**	1,038
Adjustment relating to prior years	**(195)**	-
Current tax credit for the period	**(195)**	-

Notes *(continued)*

8 Tangible fixed assets

	Land and buildings Freehold	Long leasehold	Short leasehold	Plant and equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2001	118,425	5,630	602	765	125,422
Additions	27,515	31,596	5	43	59,159
Disposals	(95)	-	-	(142)	(237)
At 31 March 2002	145,845	37,226	607	666	184,344
Depreciation					
At 1 April 2001	47	-	497	419	963
Charge for year	26		70	116	212
On disposals				(142)	(142)
At 31 March 2002	73	-	567	393	1,033
Net book value					
At 31 March 2002	**145,772**	**37,226**	**40**	**273**	**183,311**
At 1 April 2001	118,378	5,630	105	346	124,459

Included within land and buildings are investment properties with a book value of £181,740,000 *(2001: £121,200,000)*. These properties have not been revalued to open market value as at 31 March 2002 as required by SSAP 19, Accounting for Investment Properties.

If stated under historical cost principles the comparable amounts for land and buildings would be:

	2002	2001
	£000	£000
Cost	**160,907**	101,533
Accumulated depreciation	**(175)**	(133)
	160,732	101,400

The cost of freehold and long leasehold land and buildings includes £159,432,000 *(2001: £121,095,000)* of non-depreciable assets.

Notes *(continued)*

9 Fixed asset investments

	Shares in subsidiary undertakings £000	Shares in associated undertakings £000	Other investments £000	Total £000
Cost				
At 1 April 2001 and 31 March 2002	1	250	500	751
Provision				
At 1 April 2001	-	166	200	366
Movement in the year	-	-	100	100
At 31 March 2002	-	166	300	466
Net book value				
At 31 March 2002	**1**	**84**	**200**	**285**
At 31 March 2001	1	84	300	385

The company's principal operating subsidiary and associated undertakings at 31 March 2002 are set out below. All operate in the United Kingdom and are registered in England.

Company	**Class of capital and percentage held**	**Activity**
Subsidiary undertakings		
Metacre Limited	Ordinary 100%	Land investment
Whittle Jones Group Limited	Ordinary 100%	Chartered surveyor
Vimway Limited	Ordinary 100%	Property investment
Associate undertaking		
Pembrey Properties	Ordinary 50%	Property investment

A full list of subsidiary companies will be included with the company's annual return.

10 Debtors

	2002 £000	2001 £000
Trade debtors	**2,173**	1,767
Amounts owed by group undertakings	**115**	1,400
Other debtors	**53**	184
Prepayments and accrued income	**536**	273
	2,877	3,624

Notes *(continued)*

11 Creditors

	2002	2001
	£000	£000
Amounts falling due within one year:		
Trade creditors	**190**	43
Amounts owed to group undertakings	**2,259**	3,688
Other taxes and social security	**542**	1,021
Accruals and deferred income	**4,773**	5,872
	7,764	10,624
Amounts falling due after one year:		
Amounts owed to group undertakings	**109,196**	60,539
Accruals and deferred income	**250**	-
	109,446	60,539

The loans from group undertakings bear interest at market rates and are due for repayment within five years.

12 Provision for liabilities and charges

		Restated
	2002	2001
	£000	£000
Deferred taxation		
At beginning of year	**8,030**	8,823
Charge/(credit) to the profit and loss account	**2,144**	(793)
At end of year	**10,174**	8,030

The elements of deferred taxation are as follows:

		Restated
	2002	2001
	£000	£000
Balancing charges on the disposal of properties and accelerated capital allowances	**10,192**	9,068
Losses	**-**	(1,038)
Short term timing differences	**(18)**	-
Deferred tax liability	**10,174**	8,030

Notes *(continued)*

13 Called up share capital

	2002 £000	2001 £000
Authorised		
10,000,000 ordinary shares of £0.25 each	**2,500**	2,500
Allotted and fully paid		
4,021,431 ordinary shares of £0.25 each	**1,005**	1,005

14 Reserves

	Share premium Account £000	Investment property revaluation reserve £000	Restated Profit and loss account £000
At 1 April 2001 as previously reported	145	22,403	36,226
Prior year adjustment	-	-	(8,030)
At 1 April 2001 restated	145	22,403	28,196
Retained profit for the year	-	-	7,422
Transfer	-	(62)	62
At 31 March 2002	145	22,341	35,680

15 Reconciliation of movement in shareholders' funds

	2002 £000	Restated 2001 £000
Profit for the financial year	**7,422**	9,264
Shareholders' funds at beginning of year - as restated (previously £59,779,000 before a prior year adjustment of £8,030,000)	**51,749**	42,485
Shareholders' funds at end of year	**59,171**	51,749

16 Pensions

Certain of the company's employees are members of defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension costs charge represents pension contributions payable by the company to the funds and amounted to £17,000 *(2001: £8,000)*. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes *(continued)*

17 Contingent liabilities

The company is party to group banking arrangements for TJH Group Limited. Consequently, it is jointly and severally liable for the loans and overdrafts of TJH Group Limited and certain of its subsidiary undertakings. At 31 March 2002 the liability under this guarantee amounted to £203,710,000 *(2001: £145,531,000)*.

18 Related party transactions

During the year the company received rental income of £414,000 *(2001: £414,000)* from CWV Group Limited. The family interests of Mr TJ Hemmings are shareholders in both TJH Group Limited (the ultimate parent company) and Gleadway Limited, the parent company of CWV Group Limited.

During the year the company received fees of £nil *(2001: £20,000)* from Farringford Limited, and £nil *(2001: £5,000)* from The Malthouse Development Company Limited, for the management of development properties. The family interests of Mr TJ Hemmings are shareholders in TJH Group Limited (the ultimate parent company), Farringford Limited and The Malthouse Development Company Limited.

During the year the company paid fees of £169,000 (2001: £270,000) to Hemway Limited. The family interests of Mr T J Hemmings are shareholders in both TJH Group Limited (the ultimate parent company) and Hemway Limited.

During the year the company received rental income of £135,000 (2001: £nil) from Crown Leisure Limited. The family interests of Mr T J Hemmings are shareholders in TJH Group Limited (the ultimate parent company) and Crown Leisure Limited.

19 Ultimate parent company

The ultimate parent company is TJH Group Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by TJH Group Limited. The consolidated financial statements of TJH Group Limited are available to the public and may be obtained from:

The Registrar of Companies
Companies House
Crown Way
CARDIFF
CF14 3UZ