

Northern Trust Company Limited

**Directors' report and financial
statements**

Registered number 735621

31 March 2001



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Directors' report

The directors present their report, together with the financial statements for the year ended 31 March 2001.

Principal activities

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

Business review

The directors are satisfied with the results for the year as turnover increased 3%, although profit before taxation has decreased 9%.

Post balance sheet event

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

Results and dividends

The retained profit for the financial year attributable to shareholders is £8,471,000 (2000: £9,161,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend (2000: *£nil*).

Fixed assets

The directors do not believe there is any significant difference between the book value and market value of the company's land and buildings.

Directors

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

TJ Hemmings (Chairman)
K Bolton
S Stott
C Homer
G Hamilton (appointed 13 March 2001)

The interests of Mr TJ Hemmings in the company's ultimate parent company, TJH Group Limited, are disclosed in the financial statements of that company.

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:

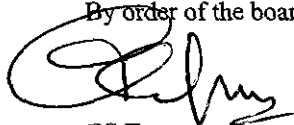
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and KPMG will therefore continue in office.

By order of the board



PS Freeman
Secretary

Lynton House
Ackhurst Park
CHORLEY
Lancashire
PR7 1NY

28 September 2001



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

Report of the auditors 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. 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

28 September 2001

Profit and loss account

for the year ended 31 March 2001

	Note	2001 £000	2000 £000
Turnover	1	16,328	15,854
Cost of sales		(3,816)	(3,010)
Gross profit		12,512	12,844
Administrative expenses		(1,036)	(980)
Other operating income	2	1,392	1,991
Operating profit	3	12,868	13,855
Amounts written off investments		(100)	(100)
Net interest payable	6	(4,297)	(4,404)
Profit on ordinary activities before taxation		8,471	9,351
Taxation on profit on ordinary activities	7	-	(190)
Retained profit for the financial year	15	8,471	9,161

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 March 2001

The profit and loss account includes the only gains and losses of the company for the current and prior year.

Note of historical cost profits and losses

for the year ended 31 March 2001

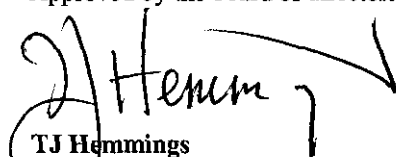
	2001	2000
	£000	£000
Reported profit on ordinary activities before taxation	8,471	9,351
Realisation of property revaluations of earlier years	471	38
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	62	62
Historical cost profit on ordinary activities before taxation	9,004	9,451
Historical cost profit for the year retained after taxation and dividends	9,004	9,261

Balance sheet

as at 31 March 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	8	124,459	115,694
Investments	9	385	485
		<u>124,844</u>	<u>116,179</u>
Current assets			
Debtors	10	3,624	2,633
Cash at bank and in hand		2,474	6
		<u>6,098</u>	<u>2,639</u>
Creditors: amounts falling due within one year	11	<u>(10,624)</u>	<u>(6,372)</u>
Net current liabilities		(4,526)	(3,733)
Total assets less current liabilities		<u>120,318</u>	<u>112,446</u>
Creditors: amounts falling due after more than one year	11	(60,539)	(61,138)
Net assets		<u>59,779</u>	<u>51,308</u>
Capital and reserves			
Called up share capital	13	1,005	1,005
Share premium account	14	145	145
Investment property revaluation reserve	14	22,403	22,936
Profit and loss account	14	36,226	27,222
Equity shareholders' funds	15	<u>59,779</u>	<u>51,308</u>

Approved by the board of directors on 28 September 2001 and signed on its behalf by:


TJ Hemmings
 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 to the financial statements.

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 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.

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.

Tangible fixed assets and depreciation

In accordance with Statement of Standard Accounting Practice Number 19 (as amended) ("SSAP 19")

- (i) investment properties are revalued annually by the company's senior chartered surveyor at open market values determined in accordance with the Guidance Notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors. Surplus or deficit arising is taken to the revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year; and
- (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty years to run.

This treatment, as regards certain of the company's investment properties, 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.

Notes (continued)

1 Statement of accounting policies (continued)

Tangible fixed assets and depreciation (continued)

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 vehicle	-	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 £2,184,000 lower than it would otherwise have been (2000: £1,869,000).

Investments

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

Taxation

The charge for taxation is based on the profit for the year and takes into account the taxation deferred because of timing differences between the treatment of certain items for taxation and accounts purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

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

Notes (continued)

1 Statement of accounting policies (continued)

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:

	2001 £000	2000 £000
Profit on disposal of investment properties	1,373	1,174
Other miscellaneous income	19	817
	<u>1,392</u>	<u>1,991</u>

3 Operating profit

	2001 £000	2000 £000
<i>Operating profit is stated after crediting:</i>		
Property rents receivable	13,960	13,728
<i>after charging:</i>		
Depreciation:		
owned assets	98	66
leased assets	70	70
Auditors' remuneration	24	21
	<u> </u>	<u> </u>

Notes (continued)

4 Staff numbers and costs

	2001 £000	2000 £000
<i>Employee costs (including directors):</i>		
Wages and salaries	307	442
Social security costs	45	20
Other pension costs	8	20
	<u>360</u>	<u>482</u>

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

	2001 Number	2000 Number
Management and administration	<u>16</u>	<u>17</u>

5 Directors' remuneration

Directors' remuneration of £90,000 (2000: £111,000) includes pension scheme contributions of £6,000 (2000: £7,000). The number of directors to whom benefits are accruing under the defined contribution scheme is one (2000: one).

6 Net interest payable

	2001 £000	2000 £000
<i>Interest payable:</i>		
On loans from group undertakings	4,299	4,419
<i>Interest receivable:</i>		
On other loans	(2)	(15)
	<u>4,297</u>	<u>4,404</u>

7 Taxation on profit on ordinary activities

	2001 £000	2000 £000
UK corporation tax at 30% (2000: 30%) on the profit for the year on ordinary activities	-	1,540
Adjustment relating to prior year	-	(1,350)
	<u>-</u>	<u>190</u>

The tax charge for the year is nil due to the availability of group losses.

The adjustment in the prior year relates to a re-calculation of corporation tax within the group.

Notes (continued)

8 Tangible fixed assets

	Land and buildings				Total
	Freehold	Long leasehold	Short leasehold	Plant and equipment	
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2000	109,338	6,021	602	544	116,505
Additions	10,258	1,737	-	250	12,245
Disposals	(1,171)	-	-	(1)	(1,172)
Transfer to group undertaking	-	(2,128)	-	(28)	(2,156)
At 31 March 2001	118,425	5,630	602	765	125,422
Depreciation					
At 1 April 2000	27	-	427	357	811
Charge for year	20	-	70	78	168
On disposals	-	-	-	(1)	(1)
Transfer to group undertaking	-	-	-	(15)	(15)
At 31 March 2001	47	-	497	419	963
Net book value					
At 31 March 2001	118,378	5,630	105	346	124,459
At 1 April 2000	109,311	6,021	175	187	115,694

Included within land and buildings are investment properties with a book value of £121,200,000 (2000: £113,800,000). These properties were valued at 31 March 2001 by the company's senior chartered surveyor on the basis of open market value in accordance with the RICS Statements of Asset Valuation Practice and Guidance Notes.

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

	2001 £000	2000 £000
Cost	101,533	92,366
Accumulated depreciation	(133)	(105)
	<u>101,400</u>	<u>92,261</u>

The cost of freehold and long leasehold land and buildings includes £121,095,000 (2000: £113,625,000) 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 2000 and 31 March 2001	1	250	500	751
Provision				
At 1 April 2000	-	166	100	266
Movement in the year	-	-	100	100
At 31 March 2001	-	166	200	366
Net book value				
At 31 March 2001	1	84	300	385
At 31 March 2000	1	84	400	485

The company's principal operating subsidiary and associated undertakings at 31 March 2001 are set out below. All operate in the United Kingdom and are registered in England.

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

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

Notes (continued)

10 Debtors

	2001 £000	2000 £000
Trade debtors	1,767	1,572
Amounts owed by group undertakings	1,400	517
Other debtors	184	166
Prepayments and accrued income	273	378
	<u>3,624</u>	<u>2,633</u>

11 Creditors

	2001 £000	2000 £000
<i>Amounts falling due within one year:</i>		
Trade creditors	43	429
Amounts owed to group undertakings	3,688	514
Corporation tax	-	1,890
Other taxes and social security	1,021	391
Other creditors	-	98
Accruals and deferred income	5,872	3,050
	<u>10,624</u>	<u>6,372</u>
<i>Amounts falling due after one year:</i>		
Amounts owed to group undertakings	<u>60,539</u>	<u>61,138</u>

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

Notes (continued)

12 Provision for liabilities and charges

Unprovided deferred tax is analysed as follows:

	2001 £000	2000 £000
Balancing charges on disposal of properties and accelerated capital allowances	8,992	8,823
Short-term timing differences	-	(104)
Capital gains on disposal of revalued properties	6,721	6,900
Losses	(1,183)	-
	<u>14,530</u>	<u>15,619</u>

The company has no intention of disposing of any of the properties and consequently no provision has been made for the potential taxation liability in respect of chargeable gains or balancing charges that would arise on the disposal of the revalued properties.

13 Called up share capital

	2001 £000	2000 £000
<i>Authorised</i>		
10,000,000 ordinary shares of £0.25 each	2,500	2,500
<i>Allotted and fully paid</i>		
4,021,431 ordinary shares of £0.25 each	1,005	1,005

14 Reserves

	Share premium Account £000	Investment property revaluation reserve £000	Profit and loss account £000
At 1 April 2000	145	22,936	27,222
Profit for the financial year	-	-	8,471
Transfer	-	(62)	62
Realisation of property revaluations of earlier years	-	(471)	471
At 31 March 2001	<u>145</u>	<u>22,403</u>	<u>36,226</u>

Notes *(continued)*

15 Reconciliation of movement in shareholders' funds

	2001 £000	2000 £000
Profit for the financial year	8,471	9,161
Shareholders' funds at beginning of year	51,308	42,147
Shareholders' funds at end of year	<u>59,779</u>	<u>51,308</u>

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 £8,000 (2000: £20,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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 2001 the liability under this guarantee amounted to £145,531,000 (2000: £127,849,000).

18 Related party transactions

During the year the company received rental income of £414,000 (2000: £406,000) from Englewood Limited. The family interests of Mr TJ Hemmings are shareholders in both TJH Group Limited (the ultimate parent company) and Gleadway PLC, the parent company of Englewood Limited.

During the year the company received fees of £20,000 (2000: £80,000) from Farringford Limited, and £5,000 (2000: £18,000) 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.

Notes *(continued)*

19 Post balance sheet event

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

20 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