

Northern Rock Estates Limited
Directors' report and financial statements
for the year ended 30 June 2009

Registered number 02306235



Northern Rock Estates Limited
Directors' report and financial statements
for the year ended 30 June 2009
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Northern Rock Estates Limited

Directors and advisers

Directors

A G Leslie

C T Greener

Company secretary

C T Greener

Registered office

Northern Rock House

Gosforth

Newcastle upon Tyne

Tyne and Wear

NE3 4PL

Registered number

02306235

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

89 Sandyford Road

Newcastle upon Tyne

NE1 8HW

Northern Rock Estates Limited

Directors' report for the year ended 30 June 2009

The directors present their report and the audited financial statements of the company for the year ended 30 June 2009. The report has been prepared taking advantage of the small companies exemption in accordance with s415A of the Companies Act 2006.

Principal activity

The company was incorporated in England and Wales and is a private limited company domiciled in England. The principal activities of the company were those of building contractors and property managers. The company did not trade during the current or preceding year.

Results

The results for the year are set out in the income statement on page 6.

Post balance sheet events

Details of post balance sheet events are given in note 10 to the financial statements.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below.

A G Leslie
C T Greener

Financial risk management

Financial risk is managed at group level and is discussed in the Northern Rock (Asset Management) plc group accounts. Details of financial risk management within Northern Rock Estates Limited are given in note 9.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 financial statements the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Northern Rock Estates Limited

Disclosure of information to auditors

In the case of each person who was a director at the date of approval of this report

- (1) so far as every director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) each director has taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

By order of the board



E T Greener

Director and company secretary

26 March 2010

Northern Rock Estates Limited

Independent auditors' report to the members of Northern Rock Estates Limited

We have audited the financial statements of Northern Rock Estates Limited for the year ended 30 June 2009 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been properly prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Northern Rock Estates Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Lindsay Gardiner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
26 March 2010

Northern Rock Estates Limited

Income statement for the year ended 30 June 2009

	Note	2009 £	2008 £
Profit before income tax		-	-
Income tax expense	3	(1,868)	(1,578)
Loss for the financial year attributable to equity holders of the company		(1,868)	(1,578)

All of the results of the company relate to discontinuing operations

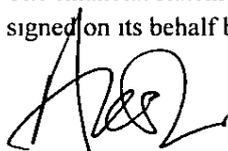
The company has no comprehensive income other than the loss for the year in 2009 and 2008, and therefore no separate statement of comprehensive income has been presented

Northern Rock Estates Limited

Balance sheet as at 30 June 2009

	Note	2009 £	2008 £
ASSETS			
Current assets			
Other receivables	4	129,574	132,507
Total assets		129,574	132,507
LIABILITIES			
Current liabilities			
Current income tax liability		-	(1,065)
Total liabilities		-	(1,065)
Net assets		129,574	131,442
Equity			
Ordinary shares	5	1,000	1,000
Retained earnings	6	128,574	130,442
Total equity		129,574	131,442

The financial statements on pages 6 to 17 were approved by the board of directors on 26 March 2010 and were signed on its behalf by



A G Leslie
Director

Northern Rock Estates Limited is registered in England and Wales under company number 02306235

Northern Rock Estates Limited

Statement of changes in equity for the year ended 30 June 2009

	Ordinary shares £	Retained earnings £	Total £
Balance at 1 July 2007	1,000	132,020	133,020
Loss for the financial year attributable to equity holders of the company	-	(1,578)	(1,578)
Balance at 30 June 2008	1,000	130,442	131,442
Balance at 1 July 2008	1,000	130,442	131,442
Loss for the financial year attributable to equity holders of the company	-	(1,868)	(1,868)
Balance at 30 June 2009	1,000	128,574	129,574

Northern Rock Estates Limited

Cash flow statement for the year ended 30 June 2009

	2009 £	2008 £
Net cash outflow from operating activities		
Profit before income tax	-	-
Adjusted for		
Non cash movements	(2,933)	(1,886)
Net cash outflow from operating profit before changes in operating assets and liabilities	(2,933)	(1,886)
Changes in operating assets and liabilities		
Net decrease in other receivables	2,933	1,886
Net increase in cash and cash equivalents	-	-
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	-	-

Northern Rock Estates Limited

Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Accounting policies have been applied consistently to all the periods presented, unless otherwise stated.

Accounting convention

The financial statements of Northern Rock Estates Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis and under the historical cost convention. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the period, if applicable.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. No such estimates or assumptions have been made in the preparation of the financial statements of Northern Rock Estates Limited.

Share capital

Ordinary shares are classified as equity.

Taxation

i) Current tax

Income tax payable/(receivable) is calculated on taxable profits/(losses) based on the applicable tax law in each jurisdiction and is recognised as an expense/(income) for the period except to the extent that it relates to items that are charged or credited to other comprehensive income or to equity.

Where there are tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance.

Where tax losses can be relieved only by carry forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward, if provided for, are set off against deferred tax liabilities carried in the balance sheet.

Current tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

ii) Deferred tax

Deferred tax is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the date of the balance sheet and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, rolled over gains on disposal of property, plant and equipment and change in accounting basis on adoption of IFRS.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

Northern Rock Estates Limited

The tax effects of carry forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

Deferred tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

New standards, amendments and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for financial years during 2008, have been endorsed for adoption by the EU, but have no material financial impact on the company. These are applicable from 1 July 2008 unless otherwise stated

- Amendment to IAS 39, 'Financial instruments - Recognition and measurement', and IFRS 7, 'Financial instruments - Disclosures', on the 'Reclassification of financial assets'
- Amendment to IFRIC 9 and IAS 39 regarding embedded derivatives

The company has not early adopted any standards or interpretations

The following new standards, amendments to standards or interpretations that are relevant to the company have been issued and endorsed by the EU, but have not been early adopted

- IAS 1 (revised), 'Presentation of financial statements'. This standard has resulted in changes to the statement of recognised income and expense which will be split into two statements, one showing changes in equity resulting from transactions not reflected in the income statement and the other showing changes in equity resulting from transactions with shareholders
- Amendment to IFRS 7, 'Financial instruments - Disclosures'. This amendment has changes the IFRS 7 disclosure requirements in the statutory accounts. The main impact will be the classification of fair value assets and liabilities against a fair value hierarchy

The following new standards, amendments to standards or interpretations that are relevant to the company have been issued but are not effective for financial years beginning 1 July 2008 and have not been endorsed by the EU

- Amendment to IAS 24, 'Related party disclosures'. Management is assessing the impact of this amendment on its financial statements, to ensure it meets the revised disclosure requirements introduced by this amendment

The following new standards, amendments to standards or interpretations are not effective for financial years beginning 1 July 2008 and have been endorsed by the EU, but have no material impact on the Company

- IFRS 1 (revised) 'First time adoption of IFRS'
- IFRS 3 (revised) 'Business combinations'
- IFRS 8, 'Operating segments'
- IFRS 9, 'Financial instruments'
- IAS 23 (revised), 'Borrowing costs'
- IAS 27 (revised), 'Consolidated and separate financial statements'
- Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' on the 'Cost of an investment in a subsidiary, jointly controlled entity or associate'
- Amendment to IAS 32, 'Financial instruments - Presentation', and IAS 1, 'Presentation of financial statements' on 'Puttable financial instruments and obligations arising on liquidation'
- Amendment to IFRS 2 Share based payments - Vesting conditions and cancellations
- Amendment to IAS 39 Financial instruments - Recognition and measurement - Eligible hedged items

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- Amendments to IAS 32 Financial instruments Presentation on classification of rights issues
- IFRIC 12, 'Service concession arrangements'
- IFRIC 13, 'Customer loyalty programmes relating to IAS 18, Revenue'
- IFRIC 14, 'IAS 19 – The limit of a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 15, 'Agreements for construction of real estates'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IFRIC 17, 'Distributions of non cash assets to owners'
- Improvements to IFRSs
- IFRIC 18, 'Transfer of assets from customers'

The following new standards, amendments to standards or interpretations are not effective for financial years beginning 1 July 2008, have not been endorsed by the EU and have no material impact on the company

- IFRS 9 'Financial instruments'
- Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions'
- Amendments to IFRS 1 for additional exemptions
- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

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Notes to the financial statements for the year ended 30 June 2009

1 Auditors' remuneration

The audit fee of £1,350 (2008 £1,300) has been included in the overall fee for the Northern Rock (Asset Management) group, which has been paid for by Northern Rock (Asset Management) plc. Details of the overall fee can be found in the Northern Rock (Asset Management) plc Annual Report and Accounts.

2 Directors' emoluments and employee information

None of the directors received any emoluments in respect of their services to the company during the year or in the previous year.

The company has no employees other than the directors in the current year or previous year.

3 Income tax expense

	2009 £	2008 £
The income tax expense for the year comprises:		
UK corporation tax on profits for the year	-	1,065
Adjustment in respect of prior years	611	-
Group relief – current year	1,257	513
Income tax expense	1,868	1,578

Factors affecting the tax charge in the year

The income tax expense can be reconciled to the profit per the income statement as follows:

	2009 £	2008 £
Profit before income tax	-	-
Tax thereon at 28% (2008 29.5%)	-	-
Adjustments to tax charge in respect of prior years	611	-
Marginal relief	-	(487)
Imputed intercompany interest receivable (result of UK transfer pricing rules)	1,257	2,065
Income tax expense	1,868	1,578

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4 Other receivables

	2009 £	2008 £
Amounts owed by parent undertaking	129,574	132,507

Amounts owed by parent undertaking are unsecured, do not carry any interest and are payable on demand, but are not expected to be fully repaid within the next 12 months

5 Ordinary shares

	2009 £	2008 £
Authorised, allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

There is only one class of ordinary share which carries no right to fixed income

6 Retained earnings

	2009 £	2008 £
Balance at 1 January	130,442	132,020
Loss for the year	(1,868)	(1,578)
Balance at 31 December	128,574	130,442

7 Ultimate parent undertaking

As a result of The Northern Rock plc Transfer Order 2008, which transferred all shares in Northern Rock (Asset Management) plc, formerly Northern Rock plc, to the Treasury Solicitor as nominee for HM Treasury on 22 February 2008, the Company considers Her Majesty's Government to be the ultimate controlling party from that date

The results of Northern Rock Estates Limited are consolidated into Northern Rock (Asset Management) plc. Copies of the group accounts can be obtained from Northern Rock (Asset Management) plc, Northern Rock House, Gosforth, Newcastle upon Tyne, NE3 4PL

Northern Rock Estates Limited

8 Related party transactions

	2009 £
<hr/>	
Amounts owed by Northern Rock (Asset Management) plc	
Loans outstanding at 1 July 2008	132,507
Net amounts repaid	(2,933)
Loans outstanding at 30 June 2009	129,574

	2008 £
<hr/>	
Amounts owed by Northern Rock (Asset Management) plc	
Loans outstanding at 1 July 2007	134,906
Net amounts repaid	(2,399)
Loans outstanding at 30 June 2008	132,507

9 Financial risk management

	<u>Financial assets</u>
2009	Loans and receivables
	£
Other receivables	129,574

	<u>Financial assets</u>
2008	Loans and receivables
	£
Other receivables	132,507

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9 Financial risk management (continued)

2009	Financial liabilities at amortised cost
	£
Total liabilities	-
Equity	129,574
	<u>129,574</u>

2008	Financial liabilities at amortised cost
	£
Corporation tax payable	1,065
Total liabilities	1,065
Equity	131,442
	<u>132,507</u>

The carrying value of each financial asset and liability is considered to be a reasonable approximation of the fair value due to the short term maturity dates of these items

Market risk

Market risk is the risk that changes in the level of interest rates, the rate of exchange between currencies or the price of securities or other financial contracts, including derivatives, will have an adverse impact on the results and operations or financial condition of the company

Other receivables within Northern Rock Estates Limited comprise amounts owed by the parent undertaking. This loan does not carry any interest and are therefore not subject to market risk.

Credit risk

The credit risk on amounts owed by the parent undertaking is mitigated by the ongoing financial support provided by HM Treasury. HM Treasury has confirmed that it is its intention to continue to fund Northern Rock (Asset Management) plc so as to maintain the company as a going concern and enable it to meet its debts as and when they fall due for a period of not less than 18 months from 31 December 2009.

Liquidity risk

Liquidity risk represents the risk of being unable to pay liabilities as they fall due and arises from the mismatch in cash flows generated from current and expected assets, liabilities and derivatives.

Amounts owed by the parent undertaking are repayable on demand but are not expected to be fully repaid within the next 12 months.

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9 Financial risk management (continued)

Capital management

Capital is managed at group level. See Northern Rock (Asset Management) plc annual report and accounts for full details.

10 Events after the balance sheet date

On 28 October 2009, the European Commission approved State aid to Northern Rock (Asset Management) plc, formerly Northern Rock plc, confirming the facilities provided by HM Treasury, thereby removing the material uncertainty over the Company's ability to continue as a going concern which previously existed.

HM Treasury has confirmed that it is its intention to continue to fund Northern Rock (Asset Management) plc so as to maintain the Company as a going concern and enable it to meet its debts as and when they fall due for a period of not less than 18 months from 31 December 2009. It has also committed to convert up to £1.6bn of the Government loan to meet regulatory capital requirements if so required.

Following the completion of a legal and capital restructuring on 1 January 2010, Northern Rock (Asset Management) plc no longer operates as a deposit taking institution under the supervision of the Financial Services Authority. It is now regulated as a mortgage administration company.