



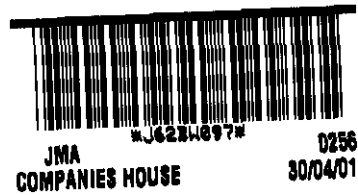
ARTHUR ANDERSEN

Privileged Estates Limited

Annual report and accounts

For the year ended 30 June 2000

Registered number: 3107289



DIRECTORS

H.N. Moser

M.B. Richards (resigned 1 September 2000)

C.W. Hacking (appointed 1 September 2000)

J.E. Smith (appointed 15 June 2000, resigned 29 January 2001)

G.D. Beckett (appointed 15 June 2000)

M. Goldberg (appointed 2 March 2001)

SECRETARY

G.D. Beckett

REGISTERED OFFICE

Bracken House

Charles Street

Manchester

M1 7BD

AUDITORS

Arthur Andersen

Bank House

9 Charlotte Street

Manchester

M1 4EU

BANKERS

Bank of Scotland

19/21 Spring Gardens

Manchester

M2 1FB

Directors' report

For the year ended 30 June 2000

The directors present the annual report of the company's affairs, together with the auditors' report and accounts for the year ended 30 June 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company is that of a property holding company.

Business review and future developments

The directors consider the performance of the company to be satisfactory.

Results and dividend

The company's results for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend.

Directors

The directors of the company who served during the year are set out on page 1.

H.N. Moser is a director of the company's ultimate parent company, Blemain Group plc and as such, his interest in the share capital of that company is disclosed in its directors' report.

No director has, or had any material interest in any contract or agreement entered into by the company during the period, or any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Payment to suppliers

The company agrees terms and conditions for its transactions with suppliers. Payment is then made, subject to the terms and conditions being met by the supplier.

Auditors

The board will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



G.D. Beckett
Secretary

25 April 2001

To the Shareholders of Privileged Estates Limited:

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 7.

Respective responsibilities of director and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts 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.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

25 April 2001

Profit and loss account

For the year ended 30 June 2000

	Notes	2000 £	1999 £
Turnover	2	16,680	14,407
Operating expenses		(6,143)	(17,457)
Operating profit (loss)		10,537	(3,050)
Gain on sale of investment property		-	46,150
Interest payable	4	(489)	(4,113)
Profit on ordinary activities before taxation		10,048	38,987
Tax on profit on ordinary activities	5	(1,377)	(4,223)
Profit for the financial year	10	8,671	34,764

All activity has arisen from continuing operations. The company has no recognised gains or losses other than profit for the financial year.

A statement of movement of reserves is shown in note 10.

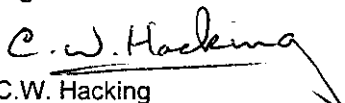
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 June 2000

	Notes	2000 £	1999 £
Fixed assets			
Investment properties	6	79,099	79,099
Current assets			
Debtors	7	52,131	37,194
Cash at bank and in hand		100	100
		52,231	37,294
Creditors: Amounts falling due within one year	8	(78,705)	(72,439)
Net current liabilities		(26,474)	(35,145)
Net assets		52,625	43,954
Capital and reserves			
Called-up share capital	9	100	100
Profit and loss account	10	52,525	43,854
Equity shareholders' funds	11	52,625	43,954

Signed on behalf of the Board


C.W. Hacking

H.N. Moser
Directors



25 April 2001

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

30 June 2000

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of investment properties including SSAP 19, which unlike the detailed rules of the Companies Act does not require depreciation of freehold and long leasehold investment properties. In addition, grants received in respect of investment properties under construction have been deducted from the cost of such assets, which is also not in accordance with the detailed rules of the Companies Act. The effect of this is to reduce the value of the assets by £164,949 (1999 - £164,949). The lack of depreciation and treatment of grants are necessary to give a true and fair view for the reason explained below in the investment properties accounting policy note.

b) Investment properties

A valuation of investment properties is made annually as at the balance sheet date by the directors, at open market value. Changes in the market value of investment properties are accounted for by way of a movement in revaluation reserve and are included in the statement of total recognised gains and losses unless a deficit (or its reversal) on an individual investment property is expected by the directors to be permanent, in which case the change in market value is charged (credited) to the profit and loss account. On disposal, the cumulative revaluation surpluses or deficits are transferred from the revaluation reserve to the profit and loss account reserve.

Additions to investment properties under development comprise construction costs excluding attributable interest incurred in bringing a project to its present state of completion.

In accordance with SSAP 19 no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principles set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified, because of the lack of analysis of the cost/value as between land and buildings.

c) Turnover

Turnover, which is derived wholly within the U.K., consists of rental income.

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Notes to accounts (continued)

2 Turnover

	2000 £	1999 £
Rental income	<u>16,680</u>	<u>14,407</u>

3 Staff costs

The company had no employees and paid no directors' emoluments during the year or prior year.

4 Interest payable

	2000 £	1999 £
Interest on bank overdraft	<u>489</u>	<u>4,113</u>

5 Tax on profit on ordinary activities

	2000 £	1999 £
Corporation tax	3,014	4,913
Adjustment in respect of prior years	<u>(1,637)</u>	<u>(690)</u>
	<u>1,377</u>	<u>4,223</u>

The overall tax charge for the company in the prior year has been reduced by the surrender of group relief from other group companies.

There is no unprovided deferred tax at the year end (1999 - £Nil).

6 Fixed assets

	Investment properties £
Beginning of and end of year	<u>79,099</u>

Investment properties are stated at cost less grants received in relation to the properties of £164,949 (1999 - £164,949).

7 Debtors

	2000 £	1999 £
Amounts due from group undertakings	<u>52,131</u>	<u>37,194</u>

Notes to accounts (continued)

8 Creditors: Amounts falling due within one year

	2000 £	1999 £
Amounts owed to group undertaking	55,559	49,647
Corporation tax	6,290	5,936
Other creditors	16,856	16,856
	<u>78,705</u>	<u>72,439</u>

9 Share capital

	2000 £	1999 £
<i>Authorised, allotted, called-up and fully paid</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10 Profit and loss account

	2000 £	1999 £
Beginning of year	43,854	9,090
Profit for the financial year	8,671	34,764
End of year	<u>52,525</u>	<u>43,854</u>

11 Reconciliation of movements in equity shareholders' funds

	2000 £	1999 £
Profit for the financial year	8,671	34,764
Opening shareholders' funds	43,954	9,190
Closing shareholders' funds	<u>52,625</u>	<u>43,954</u>

12 Contingent liabilities

The company's assets are subject to a fixed and floating charge in respect of £50 million of bank borrowings of the group (1999 - £36 million).

13 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised), the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Blemain Group plc which has produced consolidated accounts that are publicly available.

Notes to accounts (continued)

14 Related party transactions

As a subsidiary undertaking of Blemain Group plc, the company has taken advantage of the exemption in FRS 8, "Related party disclosures" not to disclose transactions with other members of the group headed by Blemain Group plc.

15 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Blemain Group plc, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group of which Privileged Estates Limited is a member and for which group accounts are drawn up is that headed by Blemain Group plc, whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD.