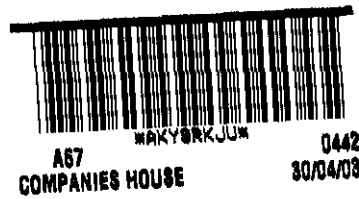


Privileged Estates Limited

Annual report and financial statements
for the year ended 30 June 2002

Registered number: 3107289



DIRECTORS

H.N. Moser

G.D. Beckett

C.W. Hacking (resigned 7 November 2001)

M. Goldberg

D.J. Seabridge (appointed 3 September 2001, resigned 1 November 2002)

SECRETARY

G.D. Beckett

REGISTERED OFFICE

Bracken House

Charles Street

Manchester

M1 7BD

AUDITORS

Deloitte & Touche

Manchester

BANKERS

Bank of Scotland

19/21 Spring Gardens

Manchester

M2 1FB

Directors' report

For the year ended 30 June 2002

The directors present the annual report of the company's affairs, together with the auditors' report and financial statements for the year ended 30 June 2002.

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 and look forward to the future with confidence.

Results and dividend

The audited financial statements for the year ended 30 June 2002, are set out on pages 6 to 13. The profit for the year, after tax was £11,121 (2001 - £10,879).

The directors do not recommend the payment of a dividend (2001 - £nil).

Directors and their interests

The directors of the company 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 interests in the share capital of that company are disclosed in its directors' report.

None of the other directors have interests in the share capital of the company, or any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

No director has, or had any material interest in any contract or agreement entered into by the company during the year.

Statement of directors' responsibilities

United Kingdom 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 of the company 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.

Directors' report (continued)

Statement of directors' responsibilities (continued)

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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On 31 July 2002 Arthur Andersen resigned as auditors of the company and the directors appointed Deloitte & Touche to fill the casual vacancy. A resolution re-appointing Deloitte & Touche as auditors for the ensuing year will be proposed at the Annual General Meeting.

By order of the Board,



G.D. Beckett
Secretary

29 April 2003

Independent auditors' report**To the members of Privileged Estates Limited**

We have audited the financial statements of Privileged Estates Limited for the year ended 30 June 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of accounting policies and the related notes numbered 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 June 2002 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

Manchester

29 April 2003

Profit and loss account

For the year ended 30 June 2002

	Notes	2002 £	2001 £
Turnover	1	17,362	17,795
Administrative expenses		(3,990)	(5,217)
Operating profit		13,372	12,578
Finance charges (net)	3	529	(113)
Profit on ordinary activities before taxation		13,901	12,465
Tax on profit on ordinary activities	4	(2,780)	(1,586)
Profit for the financial year	9	11,121	10,879

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

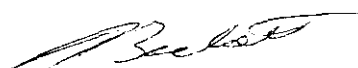
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

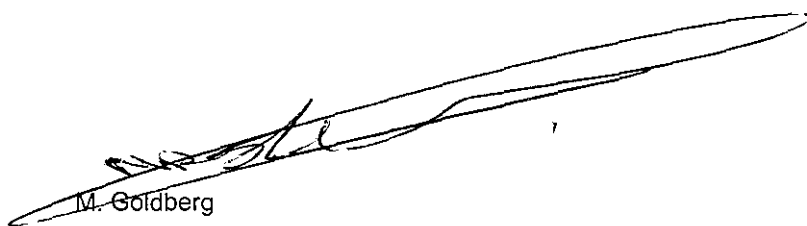
30 June 2002

	Notes	2002 £	2001 £
Fixed assets			
Investment properties	5	79,099	79,099
Current assets			
Debtors	6	17,910	63,199
Cash at bank and in hand		100	100
		18,010	63,299
Creditors: Amounts falling due within one year	7	(22,484)	(78,894)
Net current liabilities		(4,474)	(15,595)
Net assets		74,625	63,504
Capital and reserves			
Called-up share capital	8	100	100
Profit and loss account	9	74,525	63,404
Equity shareholder's funds	10	74,625	63,504

The financial statements were approved by the board of directors and signed on its behalf by:



G.D. Beckett
Director



M. Goldberg
Director

29 April 2003

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

Statement of accounting policies

30 June 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year with the exception of FRS 19 "Deferred Taxation". The implementation of FRS 19 has had no effect on the balance sheet or profit and loss account of the current or preceding year and consequently no prior year adjustment is necessary.

Basis of accounting

The financial statements 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. The lack of depreciation is necessary to give a true and fair view for the reason explained below in the investment properties accounting policy note.

Investment properties

A valuation of investment properties is made annually as at the balance sheet date by the directors, at open market value. A sample of valuations is conducted by external Chartered Surveyors on a periodic basis. 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.

Previously, grants received in respect of investment properties had been deducted from the cost of such assets. In the current year the company has changed its policy on such grants so that they are, to the extent that they remain repayable, included in creditors as deferred income. The directors feel that this more appropriately reflects the requirements of SSAP 4. There is no effect on any of the numbers in the financial statements in either the current or prior year as a result of this change.

Statement of accounting policies (continued)

Turnover

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

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to financial statements

30 June 2002

1 Turnover

	2002 £	2001 £
Rental income	<u>17,362</u>	<u>17,795</u>

2 Staff costs

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

3 Finance charges (net)

	2002 £	2001 £
Other interest receivable	529	-
Interest payable	-	(113)
	<u>529</u>	<u>(113)</u>

4 Tax on profit on ordinary activities

The tax charge comprises:

	2002 £	2001 £
Current tax		
UK corporation tax	2,780	2,493
Adjustments in respect of previous periods		
- UK corporation tax	-	(907)
Total tax on profit on ordinary activities	<u>2,780</u>	<u>1,586</u>

Notes to financial statements (continued)

4 Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2002 £	2001 £
Profit on ordinary activities before tax	<u>13,901</u>	<u>12,465</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2001 - 20%)	2,780	2,493
Effects of:		
Adjustments to tax charge in respect of previous periods	<u>-</u>	<u>(907)</u>
Current tax charge for period	<u>2,780</u>	<u>1,586</u>

There is no unprovided deferred tax at the year end (2001 - £Nil).

5 Fixed assets

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

The directors consider that the carrying value of investment properties is not materially different to the market value at the year end.

6 Debtors

Amounts falling due within one year:

	2002 £	2001 £
Amounts due from fellow group undertakings	<u>17,910</u>	<u>63,199</u>

Notes to financial statements (continued)

7 Creditors: Amounts falling due within one year

	2002 £	2001 £
Amounts owed to fellow group undertaking	2,848	59,545
Corporation tax	2,780	2,493
Other creditors	16,856	16,856
	<u>22,484</u>	<u>78,894</u>

8 Share capital

	2002 £	2001 £
<i>Authorised, allotted, called-up and fully-paid</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

9 Reserves

	2002 £	2001 £
Beginning of year	63,404	52,525
Profit for the financial year	11,121	10,879
End of year	<u>74,525</u>	<u>63,404</u>

10 Reconciliation of movements in equity shareholder's funds

	2002 £	2001 £
Profit for the financial year	11,121	10,879
Opening equity shareholder's funds	63,504	52,625
Closing equity shareholder's funds	<u>74,625</u>	<u>63,504</u>

11 Contingent liabilities

The company's assets are subject to a fixed and floating charge in respect of £97 million of bank borrowings of the group (2001 - £68.5 million).

12 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised 1996), 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 financial statements that are publicly available.

Notes to financial statements (continued)

13 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.

14 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 financial statements are drawn up is that headed by Blemain Group plc, whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD.