

Privileged Properties (Northern) Limited

Annual report and accounts

For the year ended 30 June 2000

Registered number: 3112042



DIRECTORS

H.N. Moser

M.B. Richards (resigned 1 September 2000)

C.W. Hacking (appointed 1 September 2000)

J.E. Smith (appointed 15 June 2001, 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 on the affairs of the company, together with the accounts and auditors' report, 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 and business review

The principal activity is that of a property holding company.

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

Results and dividends

The company's results for the period are set out in detail on page 5. No dividend can be paid.

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 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 year, or any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Payments to suppliers

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

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 Properties (Northern) Limited:

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 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	3,364	2,806
Operating expenses		<u>5,695</u>	<u>(4,216)</u>
Operating profit (loss)		9,059	(1,410)
Interest payable	3	<u>(5,119)</u>	<u>(5,005)</u>
Profit on ordinary activities before taxation		3,940	(6,415)
Tax on profit on ordinary activities	4	<u>(1,182)</u>	<u>-</u>
Profit (loss) for the financial year	9	<u>2,758</u>	<u>(6,415)</u>

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

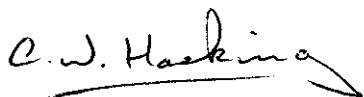
A statement of movement in reserves is shown in note 9.

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	69,152	69,152
Current assets			
Cash at bank and in hand		100	100
Creditors: Amounts falling due within one year	7	(71,278)	(74,036)
Net current liabilities		(71,178)	(73,936)
Net liabilities	12	(2,026)	(4,784)
Capital and reserves			
Called-up share capital	8	100	100
Profit and loss account	9	(2,126)	(4,884)
Shareholders' deficit	10	(2,026)	(4,784)

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 £163,224 (1999 - £163,224). The lack of depreciation and treatment of grants is necessary to give a true and fair view for the reason explained below in the investment properties accounting policies 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 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>3,364</u>	<u>2,806</u>

3 Interest payable

	2000 £	1999 £
Interest on bank overdraft	<u>5,119</u>	<u>5,005</u>

4 Tax on profit on ordinary activities

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

	2000 £	1999 £
Current tax	<u>1,182</u>	<u>-</u>

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

5 Staff costs

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

6 Fixed assets

	Investment properties £	Total £
Beginning and end of year	<u>69,152</u>	<u>69,152</u>

Investment properties are stated at cost of £232,376 (1999 - £232,376) less grants received in relation to the properties of £163,224 (1999 - £163,224), which the directors consider is not materially different from the market value at the year end.

Notes to accounts (continued)

7 Creditors: Amounts falling due within one year

	2000 £	1999 £
Amounts owed to group undertaking	62,096	66,036
Corporation tax	1,182	-
Other creditor	8,000	8,000
	<u>71,278</u>	<u>74,036</u>

8 Called-up 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>

9 Profit and loss account

	2000 £	1999 £
Beginning of year	(4,884)	1,531
Profit (loss) for the financial year	<u>2,758</u>	<u>(6,415)</u>
End of year	<u>(2,126)</u>	<u>(4,884)</u>

10 Reconciliation of movements in equity shareholders' funds

	2000 £	1999 £
Profit for the financial year	2,758	(6,415)
Opening shareholders' deficit	<u>(4,784)</u>	<u>1,631</u>
Closing shareholders' deficit	<u>(2,026)</u>	<u>(4,784)</u>

11 Contingent liability

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).

12 Net liabilities

Under section 123 of the Insolvency Act 1986, any creditor of the company could petition for it to be wound up on the grounds that it has net liabilities. However, the directors have drawn up the accounts on a going concern basis because they have received confirmation from the ultimate parent company that it will provide such financial support as is necessary to enable the company to meet its liabilities as they fall due.

Notes to accounts (continued)

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 of Blemain Group plc, which has produced consolidated accounts that are publicly available.

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 Properties (Northern) 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.