Privileged Properties (Northern) Limited

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

Registered number: 3112042

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 on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2002.

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 and look forward to the future with confidence.

Results and dividends

The audited financial statements for the year ended 30 June 2002, are set out on pages 6 to 12. The loss for the year, after tax was £6,323 (2001 - £3,486).

No dividend can be paid (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 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.

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. 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.

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

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

Deloitte & Touche

To the members of Privileged Properties (Northern) Limited

We have audited the financial statements of Privileged Properties (Northern) 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.

Deloitte
&Touche

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 loss 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	2,097	3,196
Administrative expenses		(4,211)	(1,894)
Operating profit		(2,114)	1,302
Interest payable and similar charges	2	(4,209)	(5,277)
Loss on ordinary activities before taxation		(6,323)	(3,975)
Tax on loss on ordinary activities	3	-	489
Loss for the financial year	8	(6,323)	(3,486)

All activity arises from continuing operations. The company has no recognised gains or losses other than the loss 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	69,419	69,419
Current assets			
Cash at bank and in hand		100	100
Creditors: Amounts falling due within one year	6	(81,354)	(75,031)
Net current liabilities		(81,254)	(74,931)
Net liabilities	11	(11,835)	(5,512)
Capital and reserves			
Called-up share capital	7	100	100
Profit and loss account	8	(11,935)	(5,612)
Equity shareholder's deficit	9	(11,835)	(5,512)

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 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.

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	2,097	3,196

2 Interest payable and similar charges

	2002	2001
	£	£
Interest on other loans	4,209	5,277

3 Tax on loss on ordinary activities

The tax credit comprises

	2002	2001
	£	£
Current tax		
UK corporation tax	-	-
Adjustments in respect of previous periods		
- UK corporation tax	-	(489)
Total tax on loss on ordinary activities	-	(489)

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

	2002	2001
	£	£
Loss on ordinary activities before tax	(6,323)	(3,975)
Tax on loss on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	(1,897)	(1,193)
Effects of:		
Group relief surrendered free of charge	1,897	1,193
Adjustments to tax charge in respect of previous periods	-	(489)
Current tax credit for period	-	(489)

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

4 Staff costs

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

5 Investment properties

	£
Valuation	
Beginning and end of year	69,419

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

6 Creditors: Amounts falling due within one year

	2002 £	2001 £
Amounts owed to fellow group undertaking	73,354	67,031
Other creditors	8,000	8,000
	81,354	75,031

7 Called-up share capital

	2002 £	2001 £
Authorised, allotted, called-up and fully-paid		
100 Ordinary shares of £1 each	100	100

8 Reserves

	2002 £	2001 £
Beginning of year	(5,612)	(2,126)
Loss for the financial year	(6,323)	(3,486)
End of year	(11,935)	(5,612)

9 Reconciliation of movements in equity shareholder's deficit

	2002	2001
	£	£
Loss for the financial year	(6,323)	(3,486)
Opening equity shareholder's deficit	(5,512)	(2,026)
Closing equity shareholder's deficit	(11,835)	(5,512)

10 Contingent liability

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).

11 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 of £11,835 (2001 - £5,512). However, the directors have drawn up the financial statements 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.

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

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 Properties (Northern) 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.