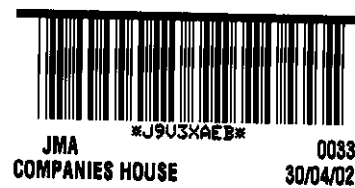




**Privileged Properties (Northern) Limited**

Annual report and financial statements  
for the year ended 30 June 2001

Registered number: 3112042



**DIRECTORS**

H.N. Moser

G.D. Beckett

C.W. Hacking (resigned 7 November 2001)

M. Goldberg (appointed 2 March 2001)

D.J. Seabridge (appointed 3 September 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 2001

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 2001.

### **Statement of directors' responsibilities**

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.

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 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 and look forward to the future with confidence.

### **Results and dividends**

The audited financial statements for the year ended 30 June 2001, are set out on pages 6 to 11. The loss for the year, after tax was £3,486 (2000 - £2,758 profit).

No dividend can be paid (2000 - £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.

## Directors' report (continued)

### Directors and their interests (continued)

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.

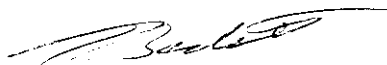
### Payments to suppliers

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

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

30 April 2002

**To the shareholders of Privileged Properties (Northern) Limited**

We have audited the financial statements of Privileged Properties (Northern) Limited for the year ended 30 June 2001 which comprise the profit and loss account, the balance sheet, and the related notes numbered 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

**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 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 2001 and of the company's loss 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

30 April 2002

## Profit and loss account

For the year ended 30 June 2001

	Notes	2001 £	2000 £
Turnover	2	3,196	3,364
Operating (expenses) income		<u>(1,894)</u>	<u>5,695</u>
Operating profit		1,302	9,059
Interest payable	3	<u>(5,277)</u>	<u>(5,119)</u>
(Loss) profit on ordinary activities before taxation		(3,975)	3,940
Tax on (loss) profit on ordinary activities	4	<u>489</u>	<u>(1,182)</u>
(Loss) profit for the financial year	9	<u>(3,486)</u>	<u>2,758</u>

All activity arises from continuing operations. The company has no recognised gains or losses other than the loss 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 2001

	Notes	2001 £	2000 £
<b>Fixed assets</b>			
Investment properties	6	<u>69,419</u>	<u>69,152</u>
<b>Current assets</b>			
Cash at bank and in hand		100	100
<b>Creditors: Amounts falling due within one year</b>	7	<u>(75,031)</u>	<u>(71,278)</u>
<b>Net current liabilities</b>		<u>(74,931)</u>	<u>(71,178)</u>
<b>Net liabilities</b>	12	<u>(5,512)</u>	<u>(2,026)</u>
<b>Capital and reserves</b>			
Called-up share capital	8	100	100
Profit and loss account	9	<u>(5,612)</u>	<u>(2,126)</u>
<b>Shareholders' deficit</b>	10	<u>(5,512)</u>	<u>(2,026)</u>

The financial statements were approved by the board of directors on 30 April 2002 and signed on its behalf by:

G.D. Beckett  
Director

H.N. Moser  
Director

30 April 2002

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



## Notes to financial statements

30 June 2001

### 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 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. 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 (2000 - £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. 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.

#### *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 financial statements (continued)

### 2 Turnover

	2001 £	2000 £
Rental income	<u>3,196</u>	<u>3,364</u>

### 3 Interest payable

	2001 £	2000 £
Interest on bank overdraft	<u>5,277</u>	<u>5,119</u>

### 4 Tax on (loss) profit on ordinary activities

	2001 £	2000 £
UK corporation tax	-	1,182
Adjustment in respect of prior years	<u>(489)</u>	<u>-</u>
	<u>(489)</u>	<u>1,182</u>

There is no unprovided deferred tax at the year end (2000 - £Nil).

### 5 Staff costs

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

### 6 Investment properties

	£
Beginning of year	69,152
Additions	<u>267</u>
End of year	<u>69,419</u>

Investment properties are stated at cost of £232,643 (2000 - £232,376) less grants received in relation to the properties of £163,224 (2000 - £163,224), which the directors consider is not materially different from the market value at the year end.

## Notes to financial statements (continued)

### 7 Creditors: Amounts falling due within one year

	2001 £	2000 £
Amounts owed to group undertaking	67,031	62,096
Corporation tax	-	1,182
Other creditors	8,000	8,000
	<u>75,031</u>	<u>71,278</u>

### 8 Called-up share capital

	2001 £	2000 £
<i>Authorised, allotted, called-up and fully-paid</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 9 Reserves

	2001 £	2000 £
Beginning of year	(2,126)	(4,884)
(Loss) profit for the financial year	<u>(3,486)</u>	<u>2,758</u>
End of year	<u>(5,612)</u>	<u>(2,126)</u>

### 10 Reconciliation of movements in equity shareholders' deficit

	2001 £	2000 £
(Loss) profit for the financial year	(3,486)	2,758
Opening shareholders' deficit	<u>(2,026)</u>	<u>(4,784)</u>
Closing shareholders' deficit	<u>(5,512)</u>	<u>(2,026)</u>

### 11 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of £68.5 million of bank borrowings of the group (2000 - £50 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 of £5,512 (2000 - £2,026). 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.

## Notes to financial statements (continued)

### **13 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.

### **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 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.