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TEESLAND MANAGEMENT SERVICES LIMITED

REPORTS AND FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2001



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TEESLAND MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS: S McBride
C Di Ciacca
P F Oliver
A F Eden
M E Hancock

SECRETARIES: S M Brook (Joint)
L M Zajac (Joint)

REGISTERED OFFICE: Europa House
20 Esplanade
SCARBOROUGH
YO11 2AQ

REGISTRATION NO: 3112917

AUDITORS: Ernst & Young LLP
P O Box 3
Lowgate House
Lowgate
Hull
HU1 1JJ

BANKERS: Bank of Scotland
EDINBURGH

SOLICITORS: Denton Wilde Sapte
LONDON

Semple Fraser
GLASGOW

Miller Samuel and Company
GLASGOW

TEESLAND MANAGEMENT SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year to 28 February 2001.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is the management of commercial, industrial and residential properties. Both the level of business and the period end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

RESULTS AND DIVIDENDS

The results of the company for the year to 28 February 2001 are set out in the financial statements on pages 3 to 8. There was no dividend proposed for the year.

DIRECTORS AND THEIR INTERESTS

The directors set out below have held office during the whole of the period under review, unless otherwise stated.

K C McCabe - resigned 10 August 2000

J L Burnley - resigned 10 August 2000

M A Broadhead - resigned 31 July 2000

M Hancock - resigned 31 July 2000, re-appointed 6 July 2001

C Di Ciacca

T Prime - resigned 31 July 2000

J Brophy - resigned 31 July 2000

S McBride - appointed 10 August 2000

P F Oliver - appointed 10 August 2000

A F Eden - appointed 10 August 2000

According to the register maintained as required under the Companies Act 1985, none of the directors held any beneficial interest in the share capital of the company.

K C McCabe, J L Burnley, C DiCiacca, S McBride, and P F Oliver are also directors of the ultimate parent undertaking, Teesland plc in whose accounts their interests in that company's share capital are shown.

There were no other interests notifiable under Section 324 of the Companies Act 1985.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the period the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

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;
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

The directors confirm that the financial statements comply with the above requirements.

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.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited partnership incorporated under the Limited Liability Partnership Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD


S M Brook

Secretary

6 December 2001

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF TEESLAND MANAGEMENT SERVICES LIMITED

We have audited the accounts on pages 3 to 8 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. 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 an 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 directors in the preparation of the financial statements, 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 state of affairs of the company as at 28 February 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Hull

6 December 2001

TEESLAND MANAGEMENT SERVICES LIMITED

PROFIT & LOSS ACCOUNT

Year ended 28 February 2001

	Notes	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
TURNOVER	2	4,493,050	7,019,791
GROSS PROFIT		<u>4,493,050</u>	<u>7,019,791</u>
Administrative expenses		(4,176,324)	(3,344,436)
PROFIT FROM OPERATIONS		<u>316,726</u>	<u>3,675,355</u>
Interest receivable		46,079	91
Interest payable and similar charges	3	(249,154)	(629,197)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>113,651</u>	<u>3,046,249</u>
Taxation charge	7	(58,963)	(960,555)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>54,688</u>	<u>2,085,694</u>
Dividends payable		-	(2,500,000)
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u><u>54,688</u></u>	<u><u>(414,306)</u></u>

The Movements in reserves are set out on page 8.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the profit for the year of £54,688 (2000 : profit £2,085,694).

The notes on pages 5 to 8 form part of these financial statements.

TEESLAND MANAGEMENT SERVICES LIMITED

BALANCE SHEET

At 28 February 2001

	<u>Notes</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
FIXED ASSETS			
Tangible assets	8	216,251	255,910
		<u>216,251</u>	<u>255,910</u>
CURRENT ASSETS			
Debtors	9	3,999,444	7,209,002
Cash at bank and in hand		685	704
		<u>4,000,129</u>	<u>7,209,706</u>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(2,155,790)	(7,459,714)
NET CURRENT ASSETS/(LIABILITIES)		<u>1,844,339</u>	<u>(250,008)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,060,590	5,902
CREDITORS DUE AFTER MORE THAN ONE YEAR	11	(2,000,000)	-
NET ASSETS		<u><u>60,590</u></u>	<u><u>5,902</u></u>
CAPITAL AND RESERVES		<u>£</u>	<u>£</u>
Called up share capital	14	2	2
Profit & Loss account	15	60,588	5,900
EQUITY SHAREHOLDERS' FUNDS	15	<u><u>60,590</u></u>	<u><u>5,902</u></u>

Approved by the Board on 6 December 2001 and signed on its behalf by:

M.E. Hancock

M E Hancock

Director

The notes on pages 5 to 8 form part of these financial statements.

TEESLAND MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 February 2001

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards

- (a) Accounting convention
The financial statements are prepared under the historical cost convention
- (b) Turnover
Turnover represents the amounts invoiced, excluding value added tax in respect of amounts receivable from management fees.
- (c) Depreciation
Depreciation is calculated to write off the cost less estimated residual value of fixed assets as follows :

Equipment & fittings	20% on cost
Motor vehicles	25% reducing balance basis
Computer equipment	25% on cost
Mobile phones	20% on cost
- (d) Leasing and hire purchase commitments
Assets held under finance leases and hire purchase contracts which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.
The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.
Rentals paid under operating leases are charged to income on a straight line basis over the lease term.
- (e) Deferred taxation
Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.
- (f) Pension costs
Payments made direct to employees' personal pension schemes are charged to the profit & loss account in the period to which they relate.
Contributions payable to the Group's pension scheme, an insured defined contribution scheme, are charged to the profit and loss account in the period to which they relate.

2 TURNOVER

The turnover and profit before taxation are attributable to the principal continuing activities, that of property and project management. Turnover arises wholly from continuing activities in the United Kingdom.

3 INTEREST PAYABLE

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Bank loans and overdrafts, and other loans wholly repayable within 5 years	164,004	619,763
Hire purchase contracts	2,688	9,346
Other interest payable	82,462	88
	<u>249,154</u>	<u>629,197</u>

4 PROFIT BEFORE TAXATION

	<u>£</u>	<u>£</u>
The profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets-owned	128,360	137,626
Depreciation of tangible fixed assets-leased	-	27,384
Amortisation of management services asset (note 9)	233,333	-
Auditors' remuneration - audit services	4,500	4,000
Auditors' remuneration - non audit services	11,368	31,732
Loss on disposal of fixed assets	<u>9,011</u>	<u>1,442</u>

TEESLAND MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 February 2001

5	DIRECTORS EMOLUMENTS	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
	Amounts paid to third parties in respect of Directors' services	<u>353,333</u>	<u>556,950</u>

Amounts paid to third parties in respect of the highest paid Director's services were £87,500 (2000 - £315,000).

6	STAFF COSTS	<u>£</u>	<u>£</u>
	Wages and salaries	1,866,218	1,743,277
	Social Security costs	215,215	180,423
	Other pension costs	<u>51,797</u>	<u>41,961</u>
		<u>2,133,230</u>	<u>1,965,661</u>

The average number of employees during the year including directors was 46 (2000 - 47).

7	TAXATION	<u>£</u>	<u>£</u>
	The charge for the year is based on the loss for the year, calculated as follows:		
	UK Corporation Tax - current year	(58,718)	(954,348)
	UK Corporation Tax - prior year	(245)	(23,437)
	Deferred Tax - current year	-	16,372
	Deferred Tax - prior year	-	858
		<u>(58,963)</u>	<u>(960,555)</u>

8	TANGIBLE FIXED ASSETS	Equipment and Fittings	Motor Vehicles	Computer Equipment	Leasehold Properties	Total
	COST	£	£	£	£	£
	At 29 February 2000	239,581	148,500	338,662	-	726,743
	Acquired during the year	40,213	9,240	9,308	47,500	106,261
	Disposals during the year		(25,990)			(25,990)
	At 28 February 2001	<u>279,794</u>	<u>131,750</u>	<u>347,970</u>	<u>47,500</u>	<u>807,014</u>
	ACCUMULATED DEPRECIATION					
	At 29 February 2000	220,673	56,144	194,016	-	470,833
	Charge for the year	20,691	22,146	85,523	-	128,360
	Depreciation on disposals		(8,430)		-	(8,430)
	At 28 February 2001	<u>241,364</u>	<u>69,860</u>	<u>279,539</u>	<u>-</u>	<u>590,763</u>
	NET BOOK AMOUNTS					
	At 28 February 2001	<u>38,430</u>	<u>61,890</u>	<u>68,431</u>	<u>47,500</u>	<u>216,251</u>
	At 29 February 2000	<u>18,908</u>	<u>92,356</u>	<u>144,646</u>	<u>-</u>	<u>255,910</u>

The net book amount of motor vehicles above includes an amount of £nil (2000 - £75,192) in respect of assets held under hire purchase agreements.

TEESLAND MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 February 2001

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
9 DEBTORS		
Trade debtors	1,198,408	564,776
Other debtors	1,766,669	2
Amounts owed by group companies	882,784	6,160,566
Prepayments	151,583	483,658
	<u>3,999,444</u>	<u>7,209,002</u>

Included in other debtors is an amount paid to Scarborough Property Company plc in respect of management services of £2,000,000. This amount is being amortised over 5 years, resulting in a £1,766,667 asset as at 28 February 2001 (2000 : £nil)

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>£</u>	<u>£</u>
Bank overdraft (secured)	493,257	3,171,764
Trade creditors	255,091	108,218
Other taxes and social security	223,840	75,851
Corporation taxation	58,718	1,050,016
Obligations under hire purchase agreements (note 12)	-	18,907
Amounts due to former group companies	431,103	-
Amounts due to group companies	180,322	-
Dividends payable	-	2,500,000
Accruals and deferred income	513,459	534,958
	<u>2,155,790</u>	<u>7,459,714</u>

11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>£</u>	<u>£</u>
Loan notes	2,000,000	-
	<u>2,000,000</u>	<u>-</u>

The loan notes are repayable on 10 August 2005. Interest is payable at 1.5% over LIBOR.

12 OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS		
The maturity of these amounts is as follows:		
Amounts payable	<u>£</u>	<u>£</u>
Within one year	-	21,595
Less finance charges allocated to future periods	-	(2,688)
	<u>-</u>	<u>18,907</u>

Finance leases and hire purchase contracts are analysed as follows:

	<u>£</u>	<u>£</u>
Current obligations - note 10	-	18,907

13 DEFERRED TAXATION	
There was no movement in deferred taxation during the year.	

TEESLAND MANAGEMENT SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 28 February 2001

14 EQUITY SHARE CAPITAL

	£	£
Authorised:		
1000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

15 RECONCILIATION OF MOVEMENTS ON EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Profit & Loss Account £	Total £
At 1 March 2000	2	420,206	420,208
Profit for the year	-	2,085,694	2,085,694
Equity Dividends	-	(2,500,000)	(2,500,000)
At 29 February 2000	2	5,900	5,902
Profit for the year	-	54,688	54,688
At 28 February 2001	<u>2</u>	<u>60,588</u>	<u>60,590</u>

16 CONTINGENT LIABILITIES

The company has guaranteed the bank overdraft and bank loans of its ultimate parent undertaking and fellow subsidiary undertakings, which at 28 February 2001 stood at £6,163,983 (2000 - £36,183,550) and was secured by a bond and floating charge over the assets of the company.

17 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions permitted by FRS8 and consequently has not disclosed details of transactions with group undertakings.

The company has also had transactions at arms length with group joint ventures during the year. The amount charged to group joint ventures during the year was £194,529 (2000 - £4,035,600) in respect of management fees.

Purchases totalling £10,000 (2000 - £5,000) were made at arms length from Craftglen Limited, of which J L Burnley (a director of Teesland Management Services Limited) is a director.

Purchases totalling £12,082 (2000 - £14,671) were made at arms length from Sheffield United A.F.C. , of which K C McCabe, a director of Teesland Management Services Limited, is the Chairman.

The company has undertaken transactions at arm's length with various companies within the Scarborough Property Group plc group, controlled by K C McCabe, a director of Teesland Management Services Limited. In aggregate, sales to these companies totalled £30,115, purchases totalled £256,368 , and the net amount outstanding at 28 February 2001 was a creditor of £162,336.

18 HOLDING COMPANY AND CONTROLLING PARTY

The ultimate parent undertaking of the group of undertakings for which group accounts are prepared, and of which the company is a member, is Teesland plc.

Copies of the Financial Statements of Teesland plc can be obtained from :
Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ