

PRIORY (SEATON) LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2001

REGISTERED NO: 3614143



PRIORY (SEATON) LTD

DIRECTORS	B J Leith A F Blyth T Gray A Smith
SECRETARY	J S Fox
AUDITORS	KPMG Saltire Court 20 Castle Terrace EDINBURGH EH1 2EG
BANKERS	Bank of Scotland 4th Floor New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN
SOLICITORS	Knight & Sons 2nd Floor 75 Mosely Street MANCHESTER M2 3HR
REGISTERED OFFICE	Blackfriars House Parsonage Manchester Lancashire M3 2JA

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PRIORY (SEATON) LTD

REPORT OF THE DIRECTORS

- 1 The directors submit their report and the financial statements for the year ended 31 August 2001. The contents of this report and the format of the accounts have been prepared to comply with the provisions of the Companies Act 1985.

2 **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company was that of house construction. The directors intend to continue with this activity in the forthcoming year.

3 **RESULTS AND DIVIDEND**

The result for the period was nil.

4 **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year were:

A Smith	Appointed 3 February 2000
B J Leith	Appointed 08 February 1999
T Gray	Appointed 16 March 2001

In accordance with the Company's Articles of Association, none of the directors are required to retire. None of the directors who held office at the end of the period had any interest in the shares of the company.

5 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 for that period. In preparing those financial statements, the directors are required to:

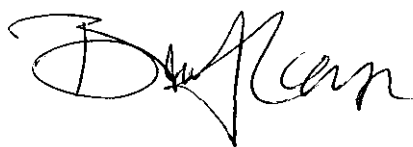
- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- make judgements and estimates that are reasonable and prudent;
- prepare 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

6 AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

By Order of the Board



Brian Leith
Director

10 May 2002

Registered in England No 3614143

**REPORT OF THE AUDITORS TO THE MEMBERS OF
PRIORY (SEATON) LTD**

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements 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.

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. 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.

Basis of audit 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 financial statements. 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2001 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

10 May 2002

PRIORY (SEATON) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 AUGUST 2001

	<u>2001</u>	<u>2000</u>
	£	£
Turnover from Ordinary Activities	1,672,602	861,717
Cost Of Sales	(1,672,602)	(861,717)
	<hr/>	<hr/>
Profit before Taxation	-	-
Taxation	-	-
	<hr/>	<hr/>
Profit for Period	-	-
	<hr/> <hr/>	<hr/> <hr/>

Other than the result for the year and the preceding period, the company has no other recognised gains or losses.

PRIORY (SEATON) LTD
BALANCE SHEET
AS AT 31 AUGUST 2001

	Notes	<u>2001</u> £	<u>2000</u> £
Current assets			
Debtors	2	19,169	3,718
Bank		12,913	-
Stock	3	1,500	742,086
		<hr/>	<hr/>
		33,582	745,804
Creditors: amounts falling due within one year	4	(33,580)	(745,802)
		<hr/>	<hr/>
Net Current Assets		2	2
Creditors: amounts falling due after more than one year		-	-
		<hr/>	<hr/>
		2	2
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital- ordinary	5	2	2
		<hr/>	<hr/>
Equity Shareholders' Funds		2	2
		<hr/>	<hr/>

The notes on pages 6 to 8 form part of these financial statements.

The financial statements were approved by the Board of Directors on 10 May 2002 and were signed on its behalf by:



B LEITH
DIRECTOR



A.F. BLYTH
DIRECTOR

PRIORY (SEATON) LTD
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2001

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement of Financial Reporting Standard (FRS) 1 to prepare a cash flow statement as it is a small company by definition.

(b) STOCKS

Property Developments are valued at the lower of cost and net realisable value. Cost comprises direct expenditure and production overheads incurred in the normal course of the business less applicable payments on account. Net realisable value is the estimated selling price less all costs to be incurred. Provision is made for the foreseeable losses on contracts.

(c) TURNOVER

Turnover represents the value of property development activities where legal contracts have been completed during the year, wholly within the UK excluding value added tax.

(d) ACCOUNTING FOR PROFITS

No profit is included in the financial statements in connection with Property sales unless a legally binding contract for sale of the development has been entered into and completion has taken place before or shortly after the period-end.

2 DEBTORS

	<u>2001</u>	<u>2000</u>
	£	£
Trade Debtors	2,850	2,850
Other Debtors	16,317	866
Amounts due from shareholders	2	2
	—	—
	<u>19,169</u>	<u>3,718</u>

3 STOCK

	<u>2001</u>	<u>2000</u>
	£	£
Development work in progress	<u>1,500</u>	<u>742,086</u>

Work in progress includes interest amounting to £0 in year (2000: £78,551)
Auditors remuneration of £1,500 (2000: £1,500) has been capitalised into work in progress.

PRIORY (SEATON) LTD
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2001 - CONTINUED

4 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2001</u>	<u>2000</u>
	£	£
Bank Loan	-	539,288
Trade Creditors	12,192	-
Amounts due to shareholders	19,888	202,155
Accruals	1,500	4,359
	<hr/>	<hr/>
	<u>33,580</u>	<u>745,802</u>

The loan is secured by a debenture over the whole assets of the company and a legal charge over the development property at The Paddock, Seaton Delaval, Tyne and Wear.

5 SHARE CAPITAL

	<u>2001</u>	<u>2000</u>
	£	£
Authorised		
'A' Ordinary shares of £1 each	1	1
'B' Ordinary shares of £1 each	1	1
	<hr/>	<hr/>
	<u>2</u>	<u>2</u>
 Allotted, Called Up, and Unpaid		
'A' Ordinary shares of £1 each	1	1
'B' Ordinary shares of £1 each	1	1
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>

Both "A" and "B" shares have the same voting rights and rank pari passu at set out in the Memorandum and Articles of Association of the company.

PRIORY (SEATON) LTD
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2001 - CONTINUED

6 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2001</u>	<u>2000</u>
	£	£
Opening shareholder's funds	2	-
Result for the period	-	-
Share capital issued during the year	-	2
	<hr/>	<hr/>
Closing shareholders' funds	2	2
	<hr/>	<hr/>

7 RELATED PARTY TRANSACTIONS

Greenable Limited and Morrison Residential Investments Limited jointly control the company, with each company owning 50% of the share capital.

During the year the company incurred development costs of £ 40,075 (2000: £617,762.19) paid to Greenable Limited and £ 14,538.24 (2000: £19,083.50) paid to Morrison Homes Limited.

Management Fees of £100,000 were paid in the year to Morrison Residential Investments Limited with £19,887 and £0 were accrued for Morrison Residential Investments Limited and Greenable Limited respectively.