

**OWENGATE KEELE (HOLDINGS)  
LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

for the year ended

31 July 2002



# OWENGATE KEELE (HOLDINGS) LIMITED

## DIRECTORS AND OFFICERS

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### DIRECTORS

M McDermott  
R Baker  
J Fairrie  
S Cloke

### SECRETARY

SPV Management Limited

### COMPANY NUMBER

3840094 (England and Wales)

### REGISTERED OFFICE

78 Cannon Street  
London  
EC4P 5LN

### AUDITORS

Baker Tilly  
5th Floor, Exchange House  
446 Midsummer Boulevard  
Central Milton Keynes  
Buckinghamshire  
MK9 2EA

# OWENGATE KEELE (HOLDINGS) LIMITED

## DIRECTORS' REPORT

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The directors submit their report and the group financial statements of OWENGATE KEELE (HOLDINGS) LIMITED for the year ended 31 July 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the group during the period was that of the collection of rental income from student accommodation located on the campus of Keele University.

### REVIEW OF THE BUSINESS

The results of the group for the year and the financial position at the year-end are consistent with financial projections prepared. The lease of the student accommodation was taken out for a period of 30 years and it is anticipated that the future results of the group will continue to be in accordance with these projections.

### INTRODUCTION OF THE EURO

All relevant parts of the group will be able to process transactions in euros when required.

### CREDITOR PAYMENT POLICY

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, providing that all trading terms and conditions have been complied with.

Trade creditor days based on creditors at 31 July 2002 were nil (2001: 8 days).

### RESULTS AND DIVIDENDS

The group trading loss for the year was £2,513,567.

The directors do not recommend payment of an ordinary dividend.

### DIRECTORS

The following directors have held office since 1 August 2001:

|             |                             |
|-------------|-----------------------------|
| P Minoprio  | (Resigned 20 February 2002) |
| M McDermott |                             |
| R Baker     | (Appointed 11 January 2002) |
| J Fairrie   | (Appointed 11 January 2002) |
| S Cloke     | (Appointed 11 January 2002) |

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director or member of their families had any interest in the share capital of the company during the period under review.

### AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

# OWENGATE KEELE (HOLDINGS) LIMITED

## DIRECTORS' REPORT

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### CORPORATE GOVERNANCE

The group has claimed exemption from providing disclosures relating to corporate governance as the group only has fixed interest guaranteed bonds listed.

### GOING CONCERN

The directors confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future. For this reason they have adopted the going concern basis in preparing these accounts.

By order of the board



**SPV MANAGEMENT LIMITED**  
Secretary

# OWENGATE KEELE (HOLDINGS) LIMITED

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d. 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 requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OWENGATE KEELE (HOLDINGS) LIMITED

We have audited the financial statements on pages 6 to 20.

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 auditor's 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 director's 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 the information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

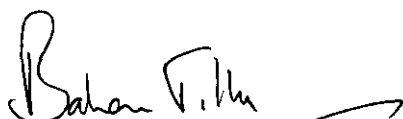
## **Basis of opinion**

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 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 affairs of the company and the group at 31 July 2002 and of the group loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY  
Registered Auditor  
Chartered Accountants  
5<sup>th</sup> Floor, Exchange House  
446 Midsummer Boulevard  
Central Milton Keynes MK9 2EA

8<sup>PM</sup> MAY 2003

# OWENGATE KEELE (HOLDINGS) LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2002

|   |       | 2002<br>£   | 2001<br>£<br><i>As restated</i> |
|---|-------|-------------|---------------------------------|
|   | Notes |             |                                 |
| TURNOVER                                    | 1     | 6,208,783   | 5,721,846                       |
| Cost of sales                               |       | 2,879,581   | 1,655,625                       |
| Gross profit                                |       | 3,329,202   | 4,066,221                       |
| Other operating expenses                    | 2     | 1,979,815   | 1,950,270                       |
| OPERATING PROFIT                            |       | 1,349,387   | 2,115,951                       |
| Investment income                           | 3     | 351,852     | 544,118                         |
|   |       | 1,701,239   | 2,660,069                       |
| Interest payable                            | 4     | 4,763,311   | 4,753,786                       |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 5     | (3,062,072) | (2,093,717)                     |
| Taxation                                    | 7     | (548,505)   | (260,847)                       |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION  | 15    | (2,513,567) | (1,832,870)                     |

The operating profit for the year arises from the group's continuing operations.

**OWENGATE KEELE (HOLDINGS) LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the year ended 31 July 2002**

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|   | 2002<br>£   | 2001<br>£<br><i>As restated</i> |
|---|-------------|---------------------------------|
| Loss of the financial year  | (2,513,567) | (1,832,870)                     |
| Total recognised gains and losses relating to the year            | (2,513,567) | (1,832,870)                     |
| Prior year adjustment   | 2,830,607   | —                               |
| Total gains and losses recognised since last financial statements | 317,040     | (1,832,870)                     |



# OWENGATE KEELE (HOLDINGS) LIMITED

## CONSOLIDATED BALANCE SHEET

31 July 2002

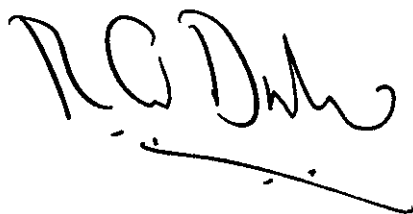
|  | Notes | 2002<br>£          | 2001<br>£<br><i>As restated</i> |
|--|-------|--------------------|---------------------------------|
| <b>FIXED ASSETS</b>  |       |                    |                                 |
| Tangible assets  | 8     | 50,794,629         | 52,641,705                      |
| <b>CURRENT ASSETS</b>  |       |                    |                                 |
| Debtors  | 10    | 1,212,200          | 1,410,938                       |
| Deferred tax asset   | 10    | 3,379,112          | 2,830,607                       |
| Cash at bank and in hand   |       | 5,074,003          | 5,936,354                       |
|  |       | <u>9,665,315</u>   | <u>10,177,899</u>               |
| <b>CREDITORS: Amounts falling due within one period</b>          | 11    | 329,578            | 310,002                         |
| <b>NET CURRENT ASSETS</b>  |       | <u>9,335,737</u>   | <u>9,867,897</u>                |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                     |       | 60,130,366         | 62,509,602                      |
| <b>CREDITORS: Amounts falling due after more than one period</b> | 12    | (63,678,590)       | (63,544,259)                    |
|  |       | <u>(3,548,224)</u> | <u>(1,034,657)</u>              |
| <b>CAPITAL AND RESERVES</b>                                      |       |                    |                                 |
| Called up share capital  | 14    | 50,000             | 50,000                          |
| Profit and loss account  | 15    | (3,598,224)        | (1,084,657)                     |
| <b>SHAREHOLDERS' FUNDS</b>                                       | 16    | <u>(3,548,224)</u> | <u>(1,034,657)</u>              |

Approved by the board on 6 May 2003

Director



Director

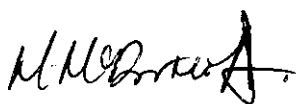


**OWENGATE KEELE (HOLDINGS) LIMITED**  
**COMPANY BALANCE SHEET**  
**31 July 2002**

|                             | <i>Notes</i> | 2002<br>£     | 2001<br>£     |
|-----------------------------|--------------|---------------|---------------|
| <b>FIXED ASSETS</b>         |              |               |               |
| Investments                 | 9            | 50,000        | 50,000        |
|                             |              | <u>50,000</u> | <u>50,000</u> |
| <b>CAPITAL AND RESERVES</b> |              |               |               |
| Called up share capital     | 14           | 50,000        | 50,000        |
| Profit and loss account     |              | -             | -             |
| <b>SHAREHOLDERS' FUNDS</b>  | 16           | <u>50,000</u> | <u>50,000</u> |

Approved by the board on 6 May 2003

Director



Director



# OWENGATE KEELE (HOLDINGS) LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2002

|  | Notes | 2002<br>£   | 2001<br>£   |
|--|-------|-------------|-------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES                            | 17    | 3,414,777   | 2,558,742   |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                      |       |             |             |
| Interest received  |       | 351,852     | 544,118     |
| Interest paid  |       | (4,628,980) | (4,628,980) |
| Net cash outflow for returns on investments and servicing of finance |       | (4,277,128) | (4,084,862) |
| CAPITAL EXPENDITURE  |       |             |             |
| Net cash outflow for capital expenditure                             |       | -           | -           |
| Net cash outflow before management of liquid resources and financing |       | (862,351)   | (1,526,120) |
| FINANCING  |       | -           | -           |
| DECREASE IN CASH IN THE PERIOD                                       |       | (862,351)   | (1,526,120) |

# OWENGATE KEELE (HOLDINGS) LIMITED

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

The group has adopted the provisions of Financial Reporting Standard No 4, 'Capital Instruments'. Accordingly the direct costs incurred in connection with the issue of capital instruments have been deducted from the proceeds of the issue and the finance costs associated with debt have been allocated to periods at a constant rate based on the carrying amount. The carrying value of the debt in the balance sheet represents the proceeds of the issue less the proportion of finance costs as yet unallocated to the profit and loss account.

### BASIS OF CONSOLIDATION

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 July 2002. The results of subsidiaries sold or acquired during the period are included in the profit and loss account up to, and from the date control passes.

### GOING CONCERN

The directors have reviewed the financial model prepared for the group. This details the expected performance and funding requirements of the group over the remaining term of the secured bonds, to 2030. The model indicates that over the life of the bonds the group will gradually move towards profitability and reverse the net asset deficit currently shown in the balance sheet.

On the basis of their review, the directors deem it appropriate to prepare the accounts on a going concern basis.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

In the opinion of the directors it is more appropriate to account for the leasehold property in this manner as opposed to as an investment property under the terms of SSAP 19. In reaching their conclusion the directors have considered the shortness of the lease and difficulties in preparing annual valuations.

Thus depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows: -

|                              |               |
|------------------------------|---------------|
| Leasehold land and buildings | Over 30 years |
|------------------------------|---------------|

### DEFERRED TAXATION

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 between the group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is measured on a non-discounted basis as, in opinion of the directors, the cost of gathering necessary information to calculate an appropriate discount rate would outweigh the benefit to the users of the accounts of providing the information.

The accounting policy was changed during the year to comply with the provisions of FRS 19. The impact of the change is shown in note 20 to the accounts.

# OWENGATE KEELE (HOLDINGS) LIMITED

## ACCOUNTING POLICIES

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### LEASED ASSETS

The annual rentals on 'operating leases' are charged to the profit and loss account on a straight line basis over the lease term.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

### 1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and loss before taxation were all derived from its principal activity wholly undertaken in the United Kingdom.

| 2 | OTHER OPERATING EXPENSES (NET)  | 2002<br>£         | 2001<br>£         |
|---|---|-------------------|-------------------|
|   | Administration expenses   | 1,979,815         | 1,950,270         |
|   |   | <u>          </u> | <u>          </u> |
| 3 | INVESTMENT INCOME   | 2002<br>£         | 2001<br>£         |
|   | Bank interest   | 351,852           | 544,117           |
|   | Other interest  | -                 | 1                 |
|   |   | <u>351,852</u>    | <u>544,118</u>    |
|   |   | <u>          </u> | <u>          </u> |
| 4 | INTEREST PAYABLE  | 2002<br>£         | 2001<br>£         |
|   | On loans repayable after 5 years including finance charges allocated to the year  | 4,763,311         | 4,753,786         |
|   |   | <u>          </u> | <u>          </u> |
| 5 | LOSS ON ORDINARY ACTIVITIES   | 2002<br>£         | 2001<br>£         |
|   | Loss on ordinary activities before taxation is stated after charging/(crediting): |                   |                   |
|   | Depreciation of tangible assets:  |                   |                   |
|   | Charge for the period   |                   |                   |
|   | owned assets  | 1,847,076         | 1,847,076         |
|   | Operating lease rentals:  |                   |                   |
|   | Land and buildings  | 2,879,581         | 1,655,625         |
|   | Auditors' remuneration  | 13,193            | 8,106             |
|   |   | <u>          </u> | <u>          </u> |
|   |   | <u>          </u> | <u>          </u> |

### 6 EMPLOYEES

There were no employees during the year other than the directors who received no remuneration for their services.

# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

| 7 | TAXATION   | 2002<br>£        | 2001<br>£<br><i>As restated</i> |
|---|--|------------------|---------------------------------|
|   | Current tax charge   | -                | -                               |
|   | Deferred taxation  |                  |                                 |
|   | Deferred tax charge / credit current year  | (548,505)        | (260,847)                       |
|   |  | <u>(548,505)</u> | <u>(260,847)</u>                |
|   |  |                  |                                 |
|   | Factors affecting tax charge for period:   | 2002<br>£        | 2001<br>£                       |
|   | Loss on ordinary activities before tax   | (3,062,101)      | (2,093,717)                     |
|   | Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2001: 30%) | <u>(918,630)</u> | <u>(628,115)</u>                |
|   | Effects of:  |                  |                                 |
|   | Non deductible expenses  | 1,428,993        | 1,426,136                       |
|   | Depreciation   | 554,123          | 554,123                         |
|   | Tax losses utilised  | (854,019)        | (1,131,752)                     |
|   | Other tax adjustments  | (210,475)        | (220,392)                       |
|   |  | <u>918,622</u>   | <u>628,115</u>                  |
|   |  |                  |                                 |
|   | Tax charge for period  | -                | -                               |

The group has estimated losses of £11,183,418 (2001: £9,401,142) available for carry forward against future trading profits.

Additionally excess management expenses of £80,290 (2001: £34,217) are available to carry forward

# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

### 8 TANGIBLE FIXED ASSETS

|                                | Group<br>Land and<br>buildings<br>Leasehold<br>£ |
|--------------------------------|--|
| Cost                           |  |
| 1 August 2001 and 31 July 2002 | 55,412,319                                       |
| Depreciation                   |  |
| 1 August 2001                  | 2,770,614  |
| Charged in the year            | 1,847,076  |
| 31 July 2002                   | 4,617,690  |
| Net book value                 |  |
| 31 July 2002                   | 50,794,629                                       |
| 31 July 2001                   | 52,641,705                                       |

### 9 FIXED ASSET INVESTMENTS

|                                |                            |                     |                | Company<br>Shares in<br>subsidiary<br>undertakings<br>£ |
|--------------------------------|----------------------------|---------------------|----------------|---|
| Cost                           |                            |                     |                |   |
| 1 August 2001 and 31 July 2002 |                            |                     |                | 50,000  |
|                                | Country of<br>Registration | Class of<br>holding | Shares<br>held | Result<br>in year<br>£                                  |
| Owengate Keele plc             | UK                         | Ordinary            | 100%           | (2,513,567)   |

The principle activity of Owengate Keele Plc is that of the collection of rental income from student accommodation located on the campus of Keele University.

On the basis of the financial model prepared for Owengate Keele plc, the directors consider the investment in this company to be fairly valued.



# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

| 10 | DEBTORS                              | Group<br>2002<br>£ | Group<br>2001<br>£<br><i>As restated</i> |
|----|--------------------------------------|--------------------|--|
|    | Due within one year:                 |                    |  |
|    | Prepayments and accrued income       | 1,212,200          | 1,410,938                                |
|    | Deferred tax asset                   | 3,379,112          | 2,830,607                                |
|    |                                      | <hr/>              | <hr/>                                    |
|    |                                      | 2002<br>£          |  |
|    | Deferred tax                         |                    |  |
|    | Balance as at 1 August 2001          | 2,830,607          |  |
|    | Profit and Loss Account              | 548,505            |  |
|    |                                      | <hr/>              |  |
|    | Balance as at 31 July 2002           | 3,379,112          |  |
|    |                                      | <hr/>              |  |
|    |                                      | 2002<br>£          | 2001<br>£                                |
|    | Deferred tax is analysed as follows: |                    |  |
|    | Tax losses available                 | 3,379,112          | 2,830,607                                |
|    |                                      | <hr/>              | <hr/>                                    |

A deferred tax asset has been recognised on tax losses arising and available to carry forward against future trading profits. The asset has been recognised following comparison of the tax losses arising against estimated future profits based on projections prepared by the group.

| 11 | CREDITORS: Amounts falling due within one year | Group<br>2002<br>£ | Group<br>2001<br>£ |
|----|--|--------------------|--------------------|
|    | Trade creditors                                | -                  | 10,611             |
|    | Accruals and deferred income                   | 329,578            | 299,391            |
|    |  | <hr/>              | <hr/>              |
|    |  | 329,578            | 310,002            |
|    |  | <hr/>              | <hr/>              |

# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

| 12 | CREDITORS: Amounts falling due in more than one year                                | Group<br>2002<br>£ | Group<br>2001<br>£ |
|----|---|--------------------|--------------------|
|    | Debenture loans   | 63,678,590         | 63,544,259         |
|    | Analysis of debt maturity   |                    |                    |
|    | Amounts payable:  |                    |                    |
|    | In five years or more   | 63,678,590         | 63,544,259         |
|    | Of amounts repayable by instalments, the amount falling due after more than 5 years | 63,678,590         | 63,544,259         |

The above liability is secured by a charge created between Owengate Keele plc and Citicorp Trustee Company Limited, as trustee for the beneficiaries, in order to secure all obligations which the company may at any time have to the security trustee, on its own account or as trustee to the beneficiaries, or any other beneficiaries, including obligations under the terms of the debenture loan detailed above.

A second charge was also created between Owengate Keele plc, Citicorp Trustee Company Limited and Financial Security Assurance (UK) Limited (FSA), the amount secured being all obligations which the subsidiary may at any time have to Citicorp (whether on its own account or as trustee for the beneficiaries) or any other beneficiaries under or pursuant to finance documents including those relating to the issue of the above bonds, which shall include without limitation any obligations of the company to FSA which may from time to time arise by way of subrogation.

The balance shown above represents guaranteed secured bonds of £69,400,000 on which interest is payable at a fixed rate of 6.67%. The principle is repayable by instalments in accordance with issue documents to commence in January 2006; the final amounts to be repaid in 2030.

## 13 FINANCIAL INSTRUMENTS

The group's financial instruments at 31 July 2002 comprised guaranteed secured bonds. The main purpose of these financial instruments was to finance the group's acquisition of student accommodation located on the campus of Keele University.

Short-term debtors and creditors have been omitted from the disclosure in this note.

Interest payable on the financial instruments is fixed at a rate of 6.67% thereby limiting the group's exposure to interest rate risk.

### Interest rate risk profile

| At 31 July 2002 | Total<br>£ | Fixed rate<br>£ |
|-----------------|------------|-----------------|
| Sterling        | 63,678,590 | 63,678,590      |

The maturity profile of the financial liabilities is detailed in note 12 above.

The fair value of the group's financial instrument is deemed to be equal to the book value shown in the financial statements.

# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

| 14 | SHARE CAPITAL                       | 2002<br>£     | 2001<br>£     |
|----|-------------------------------------|---------------|---------------|
|    | Authorised:                         |               |               |
|    | 49,850 A Ordinary shares of £1 each | 49,850        | 49,850        |
|    | 25 B1 Ordinary shares of £1 each    | 25            | 25            |
|    | 25 B2 Ordinary shares of £1 each    | 25            | 25            |
|    | 100 C Ordinary shares of £1 each    | 100           | 100           |
|    |                                     | <u>50,000</u> | <u>50,000</u> |
|    | Allotted, issued and fully paid:    |               |               |
|    | 49,850 A Ordinary shares of £1 each | 49,850        | 49,850        |
|    | 25 B1 Ordinary shares of £1 each    | 25            | 25            |
|    | 25 B2 Ordinary shares of £1 each    | 25            | 25            |
|    | 100 C Ordinary shares of £1 each    | 100           | 100           |
|    |                                     | <u>50,000</u> | <u>50,000</u> |

With the exception of the rights listed below, the four classes of authorised share capital rank pari passu to each other in all respects.

### Income

Any income that is distributed by the company will be allocated between the classes of shares on the basis of a non cumulative dividend in the following percentages: 9.5%, 40%, 50.5% to A, B and C Ordinary shareholders respectively with B1 Ordinary and B2 Ordinary shares taken as 1 class for this purpose.

### On winding up

The assets and retained profits of the company available for distribution among the members following the payment of any arrears of dividends and amounts credited as paid up on the relevant shares will be allocated on the basis of the percentages detailed above.

### Votes

A Ordinary shares, B1 Ordinary shares and B2 Ordinary shares are classed as non-voting shares and the holders of these classes of shares do not have any entitlement to vote on any matters.

### Appointment of directors

Holders of A Ordinary shares, B1 Ordinary shares and B2 Ordinary shares do not have the right to appoint directors of the company at any time.

| 15 | PROFIT AND LOSS ACCOUNT    | Group<br>2002<br>£        |
|----|----------------------------|---------------------------|
|    | 1 August 2001              | (3,915,264)               |
|    | Prior year adjustment      | 2,830,607                 |
|    | 1 August 2001 as restated  | <u>(1,084,657)</u>        |
|    | Retained loss for the year | <u>(2,513,567)</u>        |
|    | 31 July 2002               | <u><u>(3,598,224)</u></u> |

# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

| 16 | RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS | Group<br>2002<br>£ | Group<br>2001<br>£<br><i>As restated</i> | Company<br>2002<br>£ | Company<br>2001<br>£ |
|----|---|--------------------|--|----------------------|----------------------|
|    | Loss for the financial year                       | (2,513,567)        | (1,832,870)                              | -                    | -                    |
|    | Opening shareholders' funds                       | (1,034,657)        | 798,213                                  | 50,000               | 50,000               |
|    | Closing shareholders' funds                       | (3,548,224)        | (1,034,657)                              | 50,000               | 50,000               |

Opening shareholders' funds were originally £(3,865,264) before adding back prior year adjustments of £2,830,607.

|    |   |                     |           |                              |                    |
|----|---|---------------------|-----------|------------------------------|--------------------|
| 17 | CASH FLOWS  |                     |           | 2002                         | 2001               |
|    |   |                     |           | £                            | £                  |
| a  | Reconciliation of operating profit to net cash inflow from operating activities |                     |           |                              |                    |
|    | Operating profit  |                     |           | 1,349,387                    | 2,115,951          |
|    | Depreciation of tangible assets   |                     |           | 1,847,076                    | 1,847,076          |
|    | Increase in debtors   |                     |           | 198,738                      | (1,403,870)        |
|    | Increase in creditors within one year   |                     |           | 19,576                       | (415)              |
|    | Net cash flow from operating activities   |                     |           | 3,414,777                    | 2,558,742          |
|    |   |                     |           |                              |                    |
| b  | Analysis of net debt  | At 1 August<br>2001 | Cash flow | Other non<br>cash<br>changes | At 31 July<br>2002 |
|    |   | £                   | £         | £                            | £                  |
|    | Net cash:   |                     |           |                              |                    |
|    | Cash at bank and in hand  | 5,936,354           | (862,351) | -                            | 5,074,003          |
|    |   |                     |           |                              |                    |
|    | Debt:   |                     |           |                              |                    |
|    | Debts falling due after one year  | (63,544,259)        | -         | (134,331)                    | (63,678,590)       |
|    | Net debt  | (57,607,905)        | (862,351) | (134,331)                    | (58,604,587)       |
|    |   |                     |           |                              |                    |
|    |   |                     |           | 2002                         | 2001               |
|    |   |                     |           | £                            | £                  |
| c  | Reconciliation of net cash flow movement in net debt                            |                     |           |                              |                    |
|    | (Decrease)/increase in cash in the period                                       |                     |           | (862,351)                    | (1,526,120)        |
|    | Release of finance costs for the year   |                     |           | (134,331)                    | (124,806)          |
|    | Movement in net debt in the period  |                     |           | (996,682)                    | (1,650,926)        |
|    | Opening net debt  |                     |           | (57,607,905)                 | (55,956,979)       |
|    | Closing net debt  |                     |           | (58,604,587)                 | (57,607,905)       |

## 18 CONTROL

In accordance with the rights attached to the classes of authorised share capital as detailed in note 14 above, the company is controlled by the holder of the issued C Ordinary share capital, SPV Management Limited which holds the shares on trust for the benefit of Millslade Charitable Trust.

# OWENGATE KEELE (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

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### 19 CONTINGENT LIABILITIES

The principal activity of OWENGATE KEELE (HOLDINGS) LIMITED is to act as holding company to Owengate Keele plc and as such the company has given the following guarantees on behalf of Owengate Keele plc:

The company has guaranteed to pay on demand to each beneficiary of the bond agreement as defined under the terms of a composite debenture dated 7 February 2000 any sums which are required to indemnify the beneficiary from and against any loss incurred by the beneficiary as a result of any of the obligations of Owengate Keele plc contained in the bond documents and related agreements becoming or being void, voidable, unenforceable or ineffective as against Owengate Keele plc.

In order to meet these obligations the company has registered a debenture in favour of the beneficiaries. The property to be charged is recorded as all of the company's right title and interest to the Real Property, all the Tangible moveable Property, the Insurances, the Charged Accounts, the Intellectual Property, any goodwill and rights in relation to the uncalled capital of the company, the Investments and all Monetary Claims. The asset categories are subject to the definitions contained in a composite debenture dated 7 February 2000 between the company, Owengate Keele plc and the trustee for the beneficiaries.

### 20 PRIOR YEAR ADJUSTMENT

The prior year adjustment of £2,830,607 arose due to the adoption of FRS 19 by the group. The comparative figures in the financial statements and notes have been restated to reflect this new policy. Previously the group did not recognise deferred tax assets on tax losses carried forward and available for offset against future taxable profits. The effect of these adjustments has been to increase the net assets of the group by the above amount.

### 21 RELATED PARTY DISCLOSURES

Owengate Structured Finance Limited has entered into an agreement with OWENGATE KEELE (HOLDINGS) LIMITED to provide management services to the company. PM Bruton who is a shareholder of OWENGATE KEELE (HOLDINGS) LIMITED controls Owengate Structured Finance Limited. Under the terms of the agreement an annual fee is payable for these services, the payment to be made wholly by Owengate Keele plc which is also a party to the agreement.

The agreement detailed above was drawn up on an arms length basis and at full market value.

During the year £18,346 (2001: £19,250) was paid to SPV Management Limited for corporate services. SPV Management Limited is a director of Owengate Keele plc and Mr M McDermott, Mr J Fairrie and Mr R Baker are directors of SPV Management Limited.

All transactions were made on an arms length basis and at full market value.

### 22 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s230 Companies Act 1985, the company has not presented its own profit and loss account. The company did not trade during the year and consequently has no results for the year.