

**DALTON AIRFIELD PROPERTIES
LIMITED**

Report and Financial Statements

54 week period ended 31 December 2001

**Deloitte & Touche
Leeds**



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P M Levine
P J Davison

SECRETARY

P J Davison

REGISTERED OFFICE

Dalton Airfield Industrial Estate
Dalton
Thirsk
North Yorkshire
YO7 3JN

BANKERS

Bank of Scotland
116 Wellington Street
Leeds
LS1 4LT

SOLICITORS

Irwin Mitchell
21 Queen Street
Leeds
LS1 2TW

AUDITORS

Deloitte & Touche
Chartered Accountants & Registered Auditors
Leeds

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the fifty-four weeks from incorporation to 31 December 2001.

ACTIVITIES

The principal activity of the company is the holding of investment properties.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company was incorporated on 19 December 2000 with authorised share capital of 1,000 Ordinary Shares of £1 each. On incorporation the issued share capital of the company was acquired by PL Company Nominees Limited, a company incorporated in Great Britain. On 12 February 2001 the issued share capital was acquired by Severfield-Rowen plc, a company incorporated in Great Britain. On 16 February 2001 a further 14,000,000 Ordinary Shares of £1 each were issued to Severfield-Rowen plc as consideration for the purchase of land and buildings held by Severfield-Rowen plc.

On 9 March 2001 the whole of the issued share capital of the company was acquired by Dalton Airfield Estate Limited.

The directors are satisfied with the performance of the company and expect this to continue in the future.

DIVIDENDS AND TRANSFERS TO RESERVES

The results for the period are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend. A retained profit of £773,980 has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors of the company who held office during the period are as noted below:

P M Levine	(appointed 19 June 2002)
P J Davison	(appointed 19 June 2002)
J K Elliott	(appointed 12 February 2001, resigned 19 June 2002)
J R Featherstone	(appointed 12 February 2001, resigned 19 June 2002)
P L Company Nominees Limited	(appointed 19 December 2000, resigned 12 February 2001)

None of the directors had any interest in the share capital of the company during the period, other than PL Company Nominees Limited which held one Ordinary Share of £1 each between incorporation on 19 December 2000 and 12 February 2001.

AUDITORS

Deloitte & Touche were appointed as auditors during the period and have expressed their willingness to continue in office as auditors of the company. A resolution to reappoint them is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



P J Davison

Director

18 October 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial period 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; 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DALTON
AIRFIELD PROPERTIES LIMITED**

We have audited the financial statements of Dalton Airfield Properties Limited for the fifty-four week period ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

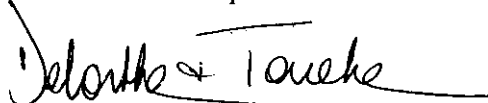
Basis of audit opinion

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 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 December 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and
Registered Auditors
Leeds

18 October 2002

PROFIT AND LOSS ACCOUNT
54 weeks ended 31 December 2001

	Note	54 weeks to 31 December 2001 £
TURNOVER – continuing operations	2	1,134,462
Cost of sales		-
Gross profit		1,134,462
Administrative expenses		(30,667)
OPERATING PROFIT – continuing operations	3	1,103,795
Interest receivable		2,185
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,105,980
Tax on profit on ordinary activities	4	(332,000)
RETAINED PROFIT FOR THE FINANCIAL PERIOD TRANSFERRED TO RESERVES	10	773,980

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses is given.

BALANCE SHEET
31 December 2001

	Note	2001 £
FIXED ASSETS		
Investment properties	5	14,000,000
CURRENT ASSETS		
Debtors	6	1,361,355
Cash at bank and in hand		2,185
		1,363,540
CREDITORS: amounts falling due within one year	7	(440,559)
NET CURRENT ASSETS		922,981
TOTAL ASSETS LESS CURRENT LIABILITIES		14,922,981
PROVISIONS FOR LIABILITIES AND CHARGES	8	(149,000)
		14,773,981
CAPITAL AND RESERVES		
Called up share capital	9	14,000,001
Profit and loss account	10	773,980
TOTAL EQUITY SHAREHOLDERS' FUNDS		14,773,981

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

18

October 2002.



P J Davison
Director

NOTES TO THE ACCOUNTS**54 weeks ended 31 December 2001****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, except as noted below in respect of investment properties, and under the historical cost convention, except for the revaluation of investment properties as noted below.

The principal accounting policies of the company are set out below.

Cashflow statement

The company has taken advantage of the exemption granted to small companies under Financial Reporting Standard No. 1 not to disclose a cashflow statement.

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice No. 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt Statement of Standard Accounting Practice No. 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 reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services, which fall within the company's ordinary activities, exclusive of Value Added Tax. The turnover and pre-tax profit, all of which arise in the United Kingdom, are attributable to the principal activities of the company.

NOTES TO THE ACCOUNTS

54 weeks ended 31 December 2001

3. OPERATING PROFIT

Operating profit is stated after charging :

54 weeks to
31 December
2001
£

Auditors' remuneration

audit services

1,000

other services

500

The directors received no remuneration during the period and the company has no employees other than the directors.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

54 weeks to
31 December
2001
£

Group relief payable

183,000

Deferred taxation

149,000

332,000

Factors affecting tax charge for the current period:

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

Profit on ordinary activities before tax

£
1,105,980

Tax at 30% thereon

331,974

Effects of:

Capital allowances in excess of depreciation

(149,000)

Rounding

26

Current corporation tax charge for the period

183,000

5. INVESTMENT PROPERTIES

2001
£

Investment properties

14,000,000

NOTES TO THE ACCOUNTS

54 weeks ended 31 December 2001

6. DEBTORS

	2001 £
Amounts owed by ultimate parent company	1,361,354
Other debtors	1
	<u>1,361,355</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £
Other creditors	30,667
Accruals and deferred income	226,892
Group relief payable	183,000
	<u>440,559</u>

8. PROVISIONS FOR LIABILITIES AND CHARGES

	2001 £
Deferred taxation	149,000
Deferred tax is made up as follows:	
	£
Capital allowances in excess of depreciation	149,000
There are no amounts of unprovided deferred tax.	

NOTES TO THE ACCOUNTS
54 weeks ended 31 December 2001

9. CALLED UP SHARE CAPITAL

	2001 £
Authorised	
14,001,000 ordinary shares of £1 each	14,001,000
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	2001 £
Called up, allotted and fully paid	
14,000,001 ordinary shares of £1 each	14,000,001
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The company was incorporated on 19 December 2000 with authorised share capital of 1,000 Ordinary Shares of £1 each. On incorporation the issued share capital of 1 Ordinary Share of £1 was acquired by P L Company Nominees Limited, a company incorporated in Great Britain. On 12 February 2001 the issued share was acquired by Severfield-Rowen plc, a company incorporated in Great Britain.

On 16 February 2001 a resolution was passed to increase the authorised share capital of the company through the creation of 14,000,000 Ordinary Shares of £1 each. On 16 February 2001 14,000,000 Ordinary Shares of £1 each were issued to Severfield-Rowen plc.

On 9 March 2001 the whole of the issued share capital of the company was acquired by Dalton Airfield Estate Limited, a company incorporated in Great Britain.

10. RESERVES

	Profit and loss account reserve £
Retained profit for the financial period	773,980
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At 31 December 2001	773,980
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11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £
Profit for the financial period	773,980
Issue of share capital	14,000,001
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Net addition to shareholders' funds	14,773,981
Opening shareholders' funds	-
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Closing shareholders' funds	14,773,981
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NOTES TO THE ACCOUNTS

54 weeks ended 31 December 2001

12. RELATED PARTY TRANSACTIONS

During the period the company entered into transactions with the following parties which are related parties as defined by Financial Reporting Standard No. 8:

- (i) Rent of £1,134,462 has been charged in the period to Severfield-Reeve Structures Limited. P M Levine and P J Davison are both directors of Severfield-Reeve Structures Limited. Also during the period Severfield-Reeve Structures Limited paid rent on behalf of Dalton Airfield Properties Limited of £29,167. As at 31 December 2001 a balance of £29,167 was due to Severfield-Reeve Structures Limited.
- (ii) During the period the company purchased land and buildings with a book value of £14 million from Severfield-Rowen plc. The consideration was paid through the issue of 14,000,000 Ordinary Shares of £1 each to Severfield-Rowen plc. P M Levine, P J Davison, J K Elliott and J R Featherstone are all directors of Severfield-Rowen plc. As at 31 December 2001 there were no balances due to or from Severfield-Rowen plc.

All of these transactions were carried out on an arms' length basis.

The company has taken advantage of the exemptions granted in paragraph 3(c) of Financial Reporting Standard No. 8 not to disclose certain related party transactions with other group companies.

13. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company and ultimate controlling company is Dalton Airfield Estate Limited, a company incorporated in Great Britain. The parent company is exempt from the obligation to prepare and deliver group accounts under section 248 of the Companies Act 1985.