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**North East Property Partnership Limited (formerly known
as Ever 2275 Ltd)**

Report and Financial Statements

31 March 2005

 **ERNST & YOUNG**



North East Property Partnership Ltd

Registered No: 04992068

Directors

J D Holmes
M D Page
E J Rowley
M I Spriggs
T J Waggett
C J Whitfield
Sir I Wrigglesworth

Company Secretary

R Smith (appointed 1 April 2004)

Auditors

Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

The Bank of Scotland
Grey Street
Newcastle upon Tyne
NE99 1LS

Solicitors

Eversheds
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3XX

Registered Office

Picture House
Queens Park
Queensway
Team Valley
Gateshead
Tyne and Wear
NE11 ONX

Directors' report

The directors present their first report and financial statements of the company for the period from incorporation to 31 March 2005.

The company was incorporated on 11 December 2003 as Ever 2275 Limited. On 30 March 2004 the company changed its name to North East Property Partnership Limited.

Formation of the North East Property Partnership

The North East Property Partnership ("NEPP") was formed under an agreement dated 1 April 2004 ("the agreement"). NEPP has two limited partners being, UKLEP (2003) Ltd (which is a subsidiary of UK Land Estates (Partnership) Limited) and OneNorthEast together with the company who acts as the general partner.

Principal activity

The company's principal activity is to act as the general partner in NEPP a limited partnership between One NorthEast and UKLEP(2003) Ltd.

Review of the business

The profit before interest and tax for the period from incorporation to 31 March 2005 was £10,000. The directors do not recommend the payment of any dividend.

Directors and their interests

The directors are set out on page 1 of the accounts. None of the directors had any interest in the share capital of the company during the period.

Everdirector Ltd resigned 1 April 2004. J Litherland was appointed 1 April 2004 and resigned 30 April 2004.

Auditors

Ernst & Young LLP were appointed auditors during the period. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



M I Spriggs
Director

10 October 2005

Statement of directors' responsibilities in respect of the financial statements

The directors are required to prepare financial statements for each financial period 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;
- prepare the accounts 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 agreement and relevant legislation. 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 North East Property Partnership Limited

We have audited the company's financial statements for the period ended 31 March 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities, the company's officers 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 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 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.

Independent auditors' report

to the members of North East Property Partnership Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne

10 October 2005

Profit and loss account

for the period ended 31 March 2005

		Period from 11 December 2003 to 31 December 2005
	Notes	£
Turnover		-
Cost of sales		-
Gross profit		-
Other income	2	294,237
Administrative expenses	4	(284,237)
Profit on ordinary activities before taxation		10,000
Tax on profit on ordinary activities	5	-
Retained profit for the period	7	10,000

There were no recognised gains and losses other than those recorded in the profit and loss account.

Balance sheet

at 31 March 2005

	Notes	2005 £
Current assets		
Debtors	6	11,000
		<u>11,000</u>
Capital and reserves		
Share capital	7	1,000
Profit and loss account	7	10,000
		<u>11,000</u>



M I Spriggs
Director

10 October 2005

Notes to the financial statements

at 31 March 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, on a going concern basis. All applicable United Kingdom accounting standards have been complied with.

Statement of cash flows

In accordance with the concession granted for small companies by Financial Reporting Standard No. 1 (revised), the company has not prepared a cashflow statement for the period.

Pensions

Certain employees of the company are members of the English Partnerships Pension Scheme. In accordance with FRS 17 the company accounts for its contributions to the scheme as if it were a defined contribution scheme because it is not possible to identify its share of net assets and liabilities in this multi-employer scheme on a consistent and reliable basis.

2. Other income

Other income represents a £10,000 distribution received from the North East Property Partnership and £284,237 which represent a recharge of staff costs to a related company as set out in note 9.

3. Directors' emoluments

None of the directors received any remuneration from the company during the period.

4. Staff costs

The company employs seven staff. All staff were seconded to UKLES(2003) Limited, a related company. The staff costs incurred by the company are recovered in full from UKLES (2003) Limited.

	2005 £
Wages and salaries	238,037
Social security costs	19,903
Other pension costs	26,297
	<hr/>
	284,237
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Notes to the financial statements

at 31 March 2005

5. Tax

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2005 £
UK corporation tax	-
Total current tax (note 8(b))	-

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2005 £
Profit on ordinary activities before tax	10,000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	3,000
Effect of:	
Non taxable income	(3,000)
Total current tax (8(a))	-

(c) Factors that may affect future tax charges

The directors expect no material change in the effective rate of tax for the foreseeable future.

6. Debtors

	2005 £
Amounts due from shareholders	1,000
Amounts due from related undertakings	10,000
	11,000

Notes to the financial statements

at 31 March 2005

7. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit & loss account</i>	<i>Total</i>
	£	£	£
At 11 December 2003	-	-	-
Shares issued	1,000	-	1,000
Profit for the period	-	10,000	10,000
At 31 March 2005	1,000	10,000	11,000

8. Share capital

	<i>2005 Authorised £</i>
A Ordinary shares of £1 each	500
B Ordinary shares of £1 each	500
	1,000

	<i>2005 Allotted £</i>
A Ordinary shares of £1 each	500
B Ordinary shares of £1 each	500
	1,000

During the period the company issued 500 A and 500 B ordinary shares for par.

Both the A and B ordinary shares rank pari passu.

9. Related party transactions

Staff costs as set out in note 4 were incurred in the year and then recharged in full to UKLES(2003) Limited as the staff have been seconded to this company. UKLES (2003) Limited is one of the shareholders of the company. The staff costs were recharged on an arms length basis.

During the year a distribution of £10,000 was received from North East Property Partnership, the limited partnership in which the company is the General Partner.

Notes to the financial statements

at 31 March 2005

10. Pensions

Seven employees were transferred from One NorthEast to the company as part of the formation of the North East Property Partnership. These employees remained members of the English Partnerships Pension Scheme ("EPPS"). In accordance with FRS 17, the company accounts for its contributions to the EPPS as if it were a defined contribution scheme, because it is impossible to identify its share of the net assets and liabilities of this multi-employer scheme on a consistent and reliable basis.

As it is not possible to separate that element of the EPPS that relates to the seven employees transferred, the following disclosure is given in respect of the overall scheme. The EPPS, according to its annual report and accounts at 31 March 2004, consisted of 390 active members, 356 deferred members and 225 pensioners and other beneficiaries.

The EPPS had an actuarial valuation carried out as at 31 March 2002. At that date it has assets of £87.1m, which represented 124% of its liabilities. The principal assumptions of the 2002 actuarial valuation included an average investment return of 7.25% per annum before retirement and 5.25% per annum after retirement, while salary increases would average 4.25% per annum. It was also assumed that pensions in payment would increase at 2.75% per annum. With effect from 1 April 2005, the participating employers are paying 14.5% of pensionable pay in respect of the EPPS.

The valuation used for FRS17 disclosure as at 31 March 2005 has been based on the valuations at 1 April 2002 and have been performed by Mercers, a qualified independent actuary.

The major assumptions used by the actuary to calculate scheme liabilities under FRS17 are as follows:

	2005
<i>Main assumptions</i>	
Rate of increase in salaries	4.85%
Rate of increase in pensions in payment	2.85%
Discount rate	5.40%
Inflation assumption	2.85%

The assets and liabilities of the EPPS are:

	Value 2005 £m
Total market value of assets	98.8
Present value of liabilities	(108.8)
Deficit in the scheme	(9.4)

11. Parent undertaking and controlling party

The company is jointly controlled by UKLES (2003) Limited and OneNorth East.