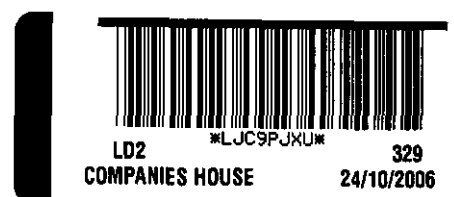


Ashpol plc

Report and Financial Statements

Year ended

24 March 2006



Ashpol Plc

Annual report and financial statements for the year ended 24 March 2006

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Country of incorporation of parent company

England

Legal form

Public limited company

Directors

K D McGrath
L Noe
M Sheppard
I Smith

Secretary and registered office

A M Jacobs, 5 Wigmore Street, London, W1U 1PB.

Company number

104394

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Ashpol Plc

Report of the directors for the year ended 24 March 2006

The directors present their report together with the audited financial statements for the year ended 24 March 2006.

Results and dividends

The income statement is set out on page 6 and shows the result for the year.

Dividends of £106,000 (2005 - £35,000) were paid or accrued during the year on the company's 10% cumulative preference shares. The company did not pay an ordinary dividend in the year (2005 - £Nil).

Principal activities, trading review and future developments

The principal activity is property investment.

The directors envisage no change in activities during the forthcoming year and believe the company will continue to be successful.

Substantial shareholder

Nyland Associates Limited, a company incorporated in the British Virgin Islands, held 73,783,745 ordinary shares of 10p each being 100% of the issued ordinary share capital of the company throughout the current and prior year.

Policy and practice on the payment of creditors

The company aims to pay suppliers promptly and in accordance with the individual terms and conditions agreed with each supplier.

The number of average days purchases of the company represented by trade creditors at 24 March 2006 was Nil (2005 - Nil).

Charitable donations

During the year, the group made charitable donations of £2,307,000 to the Rachel Charitable Trust.

Directors

The directors of the company during the year were:

K D McGrath
I Smith
L Noe
M Sheppard

No director had any beneficial interest in the share capital and debentures of the company, or of any group company.

There were no contracts subsisting during or at the end of the financial year in which any director of the company has or had a material interest.

Report of the directors for the year ended 24 March 2006 (Continued)

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Corporate governance

The company is not required to provide additional corporate governance information as it does not have listed equity securities.

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

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.

Ashpol Plc

Report of the directors for the year ended 24 March 2006 (*Continued*)

In preparing these financial statements, the directors are required to:

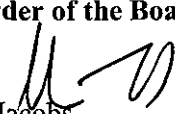
- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the next annual general meeting.

By order of the Board


A M Jacobs
Secretary

Date 23 October 2006

Ashpol Plc

Report of the independent auditors

To the shareholders of Ashpol plc

We have audited the group and parent company financial statements (the "financial statements") of Ashpol plc for the year ended 24 March 2006 which comprise the group income statement, the group and company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We read the directors' report and 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Qualified opinion arising from disagreements about accounting treatment

As explained in note 1, depreciation has not been provided on investment properties in contravention of the requirements of International Accounting Standard 40 "Investment Property" ("IAS 40"). We are unable to quantify the effect, if any, on reserves, investment property and profit for the year of this non-compliance with accounting standards.

In addition, the group has not complied with the requirement of IAS 40 to disclose the fair value of investment properties as at the year end in the financial statements.

Except for the failures to provide depreciation on the investment properties and to disclose their fair value in the financial statements, in our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 24 March 2006 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 24 March 2006; and
- the parent company's financial statements have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

23 October 2006

Ashpol Plc**Consolidated income statement for the year ended 24 March 2006**

		Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
	Note		
Revenue	3	7,634	3,537
Cost of sales		(466)	(133)
Gross profit		7,168	3,404
Administrative expenses		(7,976)	(299)
Profit on disposals of investment properties		42,453	4,488
Profit on disposal of subsidiary undertaking		-	1,507
Profit from operations	5	41,645	9,100
Finance income	6	2,791	487
Finance costs	7	(9,276)	(2,688)
Profit before tax		35,160	6,899
Tax expense	8	974	(265)
Profit for the year	19	36,134	6,634

All amounts relate to continuing activities.

The profit for the year is attributable to the equity holders of the parent company.

All recognised income and expense in the current and prior year is included in the income statement.

The notes on pages 11 to 33 form part of these financial statements.

Ashpol Plc**Consolidated balance sheet at 24 March 2006**

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Assets					
Non-current assets					
Investment property	11		93,023		94,675
Current assets					
Trade and other receivables	13	23,457		12,032	
Cash and cash equivalents		50,567		23,234	
Total current assets			74,024		35,266
Total assets			167,047		129,941
Liabilities					
Current liabilities					
Trade and other payables	14	6,367		6,319	
Corporation tax liability		293		961	
Total current liabilities			6,660		7,280
Non-current liabilities					
Financial liabilities	15	110,011		75,000	
Deferred tax liability	16	-		974	
Total non-current liabilities			110,011		75,974
Total liabilities			116,671		83,254
TOTAL NET ASSETS			50,376		46,687

The notes on pages 11 to 33 form part of these financial statements.

Ashpol Plc

Consolidated balance sheet at 24 March 2006 (*Continued*)

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Capital and reserves					
Share capital	18		7,378		48,010
Share premium reserve	19		7,069		7,069
Capital redemption reserve	19		42		42
Equity conversion reserve	19		8,187		-
Retained earnings	19		27,700		(8,434)
Total equity	20		<u>50,376</u>		<u>46,687</u>

Included within total equity at 24 March 2005 was an amount of £40,632,000 in respect of non-equity interests of which £39,570,000 were convertible into equity shares. The balance of £6,055,000 related to equity interests. These non-equity interests have been reclassified as liabilities in the current year.

The financial statements were approved and authorised for issue by the board on 23 October 2006



I Smith
Director

The notes on pages 11 to 33 form part of these financial statements.

Ashpol Plc

Company balance sheet at 24 March 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Investment in subsidiaries	12		965		-
Current assets					
Debtors - amounts falling due within one year	13	22,871		11,875	
- amounts falling due after more than one year	13	115,607		110,555	
Cash at bank and in hand		50,566		13,563	
		<u>189,044</u>		<u>135,993</u>	
Creditors: amounts falling due within one year	14	62,703		4,545	
Net current assets			<u>126,341</u>		<u>131,448</u>
Total assets less current liabilities			127,306		131,448
Creditors: amounts falling due after more than one year	15		108,309		75,000
			<u>18,997</u>		<u>56,448</u>
Capital and reserves					
Share capital	18		7,378		48,010
Share premium	19		7,069		7,069
Capital redemption reserve	19		42		42
Equity conversion reserve	19		8,187		-
Profit and loss account	19		(3,679)		1,327
Shareholders' funds	20		<u>18,997</u>		<u>56,448</u>

Included within total equity at 24 March 2005 was an amount of £40,632,000 in respect of non-equity interests of which £39,570,000 were convertible into equity shares. The balance of £15,816,000 related to equity interests. These non-equity interests have been reclassified as liabilities in the current year.

The financial statements were approved and authorised for issue by the board on 23 October 2006

I Smith
Director

The notes on pages 11 to 33 form part of these financial statements.

Ashpol Plc

Group cash flow statement for the year ended 24 March 2006

	Year ended 24 March 2006 £'000	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000	Period from 24 November 2004 to 24 March 2005 £'000
Operating activities				
Profit before tax	35,160		6,899	
Profit on disposal of investment properties	(42,453)		(4,488)	
Profit on disposal of subsidiary undertaking	-		(1,507)	
Movement in receivables	(7,215)		9,094	
Movement in payables	(7,430)		(2,090)	
Income taxes	(668)		(640)	
Finance income	(2,791)		(487)	
Finance costs	9,276		2,688	
Impairment of goodwill	5,301		-	
		(10,820)		9,469
Investing activities				
Proceeds from sale of investment properties	124,228		6,569	
Acquisition of investment properties	(78,421)		-	
Acquisition of subsidiary undertakings	(965)		-	
Interest received	1,556		352	
		46,398		6,921
Financing activities				
Interest paid	(8,245)		(722)	
		(8,245)		(722)
Increase in cash and cash equivalents in the year		27,333		15,668

The notes on pages 11 to 33 form part of these financial statements.

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRSs has affected the group's reported financial position, financial performance and cash flows are given in note 2.

The parent company financial statements have been prepared under the historical cost convention and are in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Changes in accounting policies

First-time adoption

In preparing these financial statements, the group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- Business combinations effected before 24 November 2004, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated.
- Where the liability component of a compound financial instrument was not outstanding at 24 November 2004, the portion of equity representing the cumulative interest accreted on the liability component and the portion of equity representing the original equity component of the instrument have not been disclosed as separate components of equity.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements. Except where indicated below, the accounting policies stated relate to both the group and parent company financial statements.

Compliance with accounting standards

The financial statements of the group have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) except:

- In respect of the application of the cost model of IAS 40 to measure investment properties. The directors have not provided for depreciation on the properties as they consider that, as the properties are held for investment rather than consumption, systematic annual depreciation would be inappropriate.
- In respect of the requirement of IAS 40 that the fair value of investment properties at the year end be disclosed in the financial statements. The directors do not believe the additional information this would provide justifies the cost of the valuations and have therefore omitted to provide this disclosure.

1 Accounting policies (*Continued*)

The following principal accounting policies have been applied:

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method other than disclosed above (see 'first-time adoption'). In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Investment properties

Investment properties in the group are recorded at cost less provision for any permanent diminution in value. As explained above, this policy does not comply with accounting standards.

Revenue

Revenue comprises rental income which represents rent receivable from the letting of property in the United Kingdom, and is recognised on an accruals basis.

Cost of sales

Cost of sales comprises property outgoings which represent the direct costs associated with the letting of property, and is recognised on an accruals basis.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

1 Accounting policies (*Continued*)

Deferred taxation (Continued)

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax balances in the parent company are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Financial assets

The group currently classifies all its financial assets as loans and receivables. The accounting policy for such financial assets is as follows:

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Financial liabilities

The group classifies its financial liabilities as follows:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings, certain preference shares and the debt element of convertible debt issued by the group are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

1 Accounting policies (*Continued*)

Compound financial instruments

On initial recognition the fair value of each compound financial instrument is allocated to its liability and equity components. The amount initially attributed to the liability component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. Subsequently, the liability component is accounted for as a financial liability measured at amortised cost (see above).

The equity component, being any difference between the fair value of the compound financial instrument and the amount allocated to the liability component, is credited direct to equity and is not subsequently remeasured. On conversion, the liability and equity elements are credited to share capital and share premium as appropriate.

Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Dividends on the 10% preference shares are treated as finance costs and are recognised on an accruals basis.

2 First time adoption of International Financial Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles ("UK GAAP") are given below:

Profit and loss account for the period ended 24 March 2005

Reconciliation of reported profits or losses after tax from UK GAAP to IFRS did not identify any differences.

Balance sheets as at 24 March 2005 and 24 November 2004

Balance sheet reconciliations of equity shareholders' funds, as at 24 March 2005 and 24 November 2004, did not identify any differences.

Cash flow statement for the period ended 24 March 2005

The only changes to the cash flow statement are presentational. The key ones include:

- Presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty less overdrafts repayable on demand. The components of cash equivalents are shown in note 22.
- Classifying tax cash flows as relating to operating activities.

2 First time adoption of International Financial Reporting Standards (IFRS) (Continued)*Financial instruments (comparative information)*

As indicated on page 10, the group has taken advantage of the transitional provisions in IFRS 1 not to present comparative information in accordance with IAS 32 'Financial Instruments: Presentation and Disclosure' and IAS 39 'Financial Instruments: Recognition and Measurement', but to retain the accounting applied in the March 2005 financial statements when the group applied UK GAAP. The nature of the main adjustments to the balance sheet that would make the information at 24 November 2004 and 24 March 2005 comply with IAS 32 and IAS 39 are as follows:

- Cumulative preference shares would need to be allocated into their debt and equity components.
- Convertible redeemable preference shares would need to be allocated into their debt and equity components.

The nature of the main adjustments to the income statement that would make the information for the period to 24 March 2005 comply with IAS 32 and IAS 39 are as follows:

- An increase to the interest charge attributable to redeemable compound financial instruments.
- Preference share dividends would be classified as interest payable.

The following adjustments were made to financial assets and liabilities on 25 March 2005 to recognise them in accordance with IAS 32 and 39:

	As presented 24 March 2005 £'000	Adjustment £'000	As presented 25 March 2005 £'000
<i>Non-current liabilities</i>			
10% cumulative preference shares of £1	-	1,062	1,062
5¾% cumulative convertible redeemable preference shares of £1	-	31,383	31,383

The application of these transitional provisions will not have an impact on future periods.

3 Segment information

All revenue, profits, assets and liabilities of the group are wholly attributable to the principal activity of the company and arise solely within the United Kingdom.

Ashpol Plc

Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

4 Employees and directors

The group and company had no employees, apart from its 4 (2005 - 4) directors, during the year (2005 - Nil).

Certain directors of companies within the group are also partners of the entity that manages the properties within the portfolio. The charge for property management by that entity is disclosed in note 21. No director received any remuneration for his services to the company in the current or prior year.

5 Profit from operations

	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
This has been arrived at after charging:		
Impairment of goodwill	5,301	-
Charitable donation	2,307	-
Auditors' remuneration - audit services	130	57
- non-audit services	30	8
	<u> </u>	<u> </u>

6 Finance income

	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
Interest receivable from related parties (note 21)	1,235	135
Bank and other interest receivable	1,556	352
	<u> </u>	<u> </u>
	2,791	487
	<u> </u>	<u> </u>

Ashpol Plc

Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

7 Finance costs

	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
Interest payable on 10¼% First Mortgage Debenture Stock 2025	8,063	2,688
Interest payable to related parties (note 21)	167	-
Unwinding of discount on debt element of 5¾% convertible cumulative redeemable preference shares	864	-
Finance lease interest	76	-
Dividend paid on 10% cumulative preference shares	106	-
	<u>9,276</u>	<u>2,688</u>

8 Tax expense

	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
<i>Current tax</i>		
UK corporation tax on profits for the year	-	164
Adjustments for under/(over) provision in prior periods	-	54
	<u>-</u>	<u>218</u>
<i>Deferred tax</i>		
(Reversal)/origination of timing differences	(974)	47
	<u>(974)</u>	<u>265</u>

8 Tax expense (Continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
Profit on ordinary activities before tax	35,160	6,899
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	10,548	2,070
Effects of:		
Expenses not deductible for tax purposes	1,579	32
Utilisation of losses brought forward	(7,933)	(1,339)
Tax allowances on property disposals	(4,194)	(550)
Tax relating to prior years	-	54
Total tax charge	-	265

9 Dividends

The holders of the 5¼% convertible cumulative redeemable preference shares waived their entitlement to dividends in the current and prior year.

10 Intangible assets

Goodwill of £5,301,000 arose in the year on the acquisition on 16 August 2005 of 100% of the issued share capital of Goldacre (Nottingham) Ltd and GCP Nominees Limited from related entities. No goodwill arose on the acquisition on 16 August 2005 of 100% of the issued share capital of Goldacre (Offices) Limited. Further details of the acquisitions are provided in note 21.

Following a review of the carrying value of goodwill it was fully impaired.

Ashpol Plc

Notes forming part of the financial statements for the year ended 24 March 2006

10 Intangible assets (Continued)

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows. Book values equate to fair values.

	Goldacre (Nottingham) Limited £'000	Goldacre (Offices) Limited £'000	GCP Nominees Limited £'000	Total £'000
Trade and other receivables	-	1,359	856	2,215
Trade and other payables	(5,167)	(394)	(990)	(6,551)
	<u>(5,167)</u>	<u>965</u>	<u>(134)</u>	<u>(4,336)</u>
Consideration paid - cash	-	965	-	965
	<u>-</u>	<u>965</u>	<u>-</u>	<u>965</u>
Goodwill arising	5,167	-	134	5,301
	<u>5,167</u>	<u>-</u>	<u>134</u>	<u>5,301</u>

Since acquisition, the acquired entities have recorded the following profit/(loss) for the period:

	£'000
Goldacre (Nottingham) Limited	1
Goldacre (Offices) Limited	(619)
GCP Nominees Limited	(50)
	<u>1</u>

Had the above entities been acquired at the beginning of the financial year, the revenue of the group its profit before tax for the year would have been unchanged from their existing levels.

11 Investment property

Group	Freehold 2006 £'000	Leasehold 2006 £'000	Total 2006 £'000	Freehold 2005 £'000
At beginning of period	94,675	-	94,675	115,523
Additions	74,556	5,567	80,123	-
Disposals	(81,775)	-	(81,775)	(20,848)
	<u>87,456</u>	<u>5,567</u>	<u>93,023</u>	<u>94,675</u>

Investment property held by the group is carried at cost in line with the cost model of IAS 40. As explained in note 1, the group has not provided for depreciation on investment properties.

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Notes forming part of the financial statements for the year ended 24 March 2006

12 Fixed assets investments

	2006 £'000
At 25 March 2005	-
Additions	965
	<hr/>
At 24 March 2006	965
	<hr/>

Subsidiary undertakings

Details of the principal subsidiary undertakings at 24 March 2006 are as follows:

Name	Class of shares held	Proportion of voting rights and ordinary share capital held %	Nature of business
<i>Subsidiary undertakings held directly by the company</i>			
Vasella Holdings Limited	Ordinary	100	Property investment
The Exclusive Corporation Limited	Ordinary	100	Property investment
Impress Agency Limited	Ordinary	100	Property investment
Infinitecorp Limited	Ordinary	100	Property investment
Optioncorp Limited	Ordinary	100	Property investment
Ashpol Huddersfield Limited	Ordinary	100	Property investment
Sheritan Limited	Ordinary	100	Property investment
Goldacre Offices Ltd	Ordinary	100	Property Investment
GCP Nominees Ltd	Ordinary	100	Property Investment
<i>Subsidiary undertakings held by subsidiaries of the company</i>			
Borderlands Limited	Ordinary	100	Property investment
Exactdale Limited	Ordinary	100	Property investment
Goldacre Nottingham Ltd	Ordinary	100	Property Investment

The above subsidiary undertakings have all been included in the consolidated financial statements.

All of the subsidiaries are incorporated in Great Britain. For all undertakings listed above, operations are conducted in the United Kingdom.

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Notes forming part of the financial statements for the year ended 24 March 2006

13 Trade and other receivables/Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
<i>Amounts receivable within one year:</i>				
Trade debtors	89	52	-	36
Other debtors	1,044	-	1,413	-
Amounts due from related undertakings (note 21)	22,324	11,652	21,458	11,839
Prepayments and accrued income	-	328	-	-
	<u>23,457</u>	<u>12,032</u>	<u>22,871</u>	<u>11,875</u>
<i>Amounts receivable in more than one year:</i>				
Amounts owed by group undertakings	-	-	115,607	110,555
	<u>-</u>	<u>-</u>	<u>115,607</u>	<u>110,555</u>

14 Trade and other payables - current/Creditors: amounts falling due within one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade creditors	37	45	-	-
Amounts owed to group undertakings	-	-	58,806	723
Amounts due to related undertakings (note 21)	1,471	1,639	1,497	1,226
Taxation and social security	1,205	608	-	-
Corporation tax	-	-	363	564
Other creditors	1,308	-	-	-
Accruals and deferred income	2,346	4,014	2,037	2,019
Accrued non-equity dividends	-	13	-	13
	<u>6,367</u>	<u>6,319</u>	<u>62,703</u>	<u>4,545</u>

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Notes forming part of the financial statements for the year ended 24 March 2006

15 Non-current financial liabilities/Creditors: amounts falling due after more than one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
10¾% First Mortgage Debenture Stock 2025 (secured)	75,000	75,000	75,000	75,000
5¾% convertible cumulative redeemable preference shares of £1 each	32,247	-	32,247	-
10% cumulative preference shares of £1 each	1,062	-	1,062	-
Finance lease creditor	1,702	-	-	-
	<u>110,011</u>	<u>75,000</u>	<u>108,309</u>	<u>75,000</u>

Maturity of debt:

	Loans and overdrafts 2006 £'000	Non-equity shares 2006 £'000	Loans and overdrafts 2005 £'000	Non-equity shares 2005 £'000
Due after more than five years	<u>75,000</u>	<u>33,309</u>	<u>75,000</u>	<u>-</u>

10¾% First Mortgage Debenture Stock 2025 is secured on the freehold investment properties held by the group. The stock is listed on the London Stock Exchange.

The finance lease creditor relates to the leasehold investment property held by the group. This is held on a lease expiring in 2080 with annual lease payments of £183,000.

Future lease payments are due as follows:

	Minimum lease payments 2006 £'000	Interest 2006 £'000	Present value 2006 £'000
Not later than one year	183	(18)	165
Later than one year and not later than five years	732	(217)	515
Later than five years	12,627	(11,605)	1,022
	<u>13,542</u>	<u>(11,840)</u>	<u>1,702</u>

The present value of future lease payments are all analysed at non-current liabilities.

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Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

16 Deferred tax liability

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005 - 30%).

	2006 £'000	2005 £'000
At beginning of period	974	927
Profit and loss (credit)/charge for the period	(974)	47
	<hr/>	<hr/>
At end of period	-	974
	<hr/>	<hr/>
	2006 £'000	2005 £'000
Accelerated capital allowances	-	974
	<hr/>	<hr/>

17 Financial instruments

The group's financial instruments comprise borrowings, cash balances, and various operating items including trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. With the exception of cash and a related party receivable the group has no other financial assets.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the year.

The group seeks to reduce its exposure to financial risk by ensuring that:

- sufficient liquidity is available to meet foreseeable operating needs;
- exposure to adverse interest rate movements is limited;
- cash resources are invested safely and profitably; and
- there is no trading in financial instruments.

The funding strategy to finance the majority of the group's projects is through the long-term £75 million debenture.

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Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

17 Financial instruments (Continued)

Interest rate profile of financial assets and financial liabilities

Financial assets

The group's financial assets include short term debtors and cash at bank. No interest is receivable on trade and other debtors. The interest rate profile of the group's remaining financial assets was:

	Fixed rate financial assets £'000	Floating rate financial assets £'000
As at 24 March 2006		
Amounts due from related undertakings	21,564	-
Liquid resources - cash secured under the debenture stock	-	42,749
Sterling cash deposits	-	7,818
	<u>21,564</u>	<u>50,567</u>
As at 24 March 2005		
Liquid resources - cash secured under the debenture stock		13,260
Sterling cash deposits		9,974
		<u>23,234</u>

The group's floating rate financial assets comprise cash and short term deposits at call and money market rates for up to one month. The interest rate on these sterling deposits at 24 March 2006 is 4.50% (2005 - 4.50%).

Interest is receivable on the group's fixed rate financial assets, which are repayable on demand, at a rate of 10%.

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Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

17 Financial instruments (Continued)

Financial liabilities

No interest is payable on the group's trade and other payables, with the exception of amounts owed to related undertakings. The interest rate profile of the group's remaining financial liabilities was:

	Sterling fixed rate financial liabilities £'000
As at 24 March 2006	
10¾% First Mortgage debenture stock	75,000
5¾% cumulative convertible redeemable preference shares	32,247
10% cumulative preference shares	1,062
Finance lease creditor	1,702
Amounts owed to related undertakings	711
	<hr/>
	110,722
	<hr/>
As at 24 March 2005	
10¾% First Mortgage debenture stock	75,000
	<hr/>

The 10¾% First Mortgage debenture stock carried a weighted average interest rate of 10¾% (2005 - 10¾%) and the weighted average year for which the rate was fixed was 19 years (2005 - 20 years).

Nyland Associates Limited, the immediate parent company, waived its right to the dividends due in the year on the 5¾% cumulative convertible redeemable preference shares of £1 each.

The 10% cumulative preference shares carried a weighted average dividend rate of 10% (2005 - 10%) which is fixed into perpetuity.

Interest has been imputed on the finance lease creditor at a rate of 10¾%, for a weighted average period of 74 years.

Interest is payable on amounts owed to related undertakings, which are repayable on demand, at a rate of 10%.

Borrowing facilities

The group has no undrawn committed borrowing facilities.

17 Financial instruments (*Continued*)**Fair values of financial assets and financial liabilities**

Set out below is a comparison by category of book values and fair values of the group's financial assets and liabilities. Where available, market rates have been used to determine current values. Where market rates are not available, current values have been calculated by discounting cash flows at prevailing interest rates.

	Book value 2006 £'000	Fair value 2006 £'000	Book value 2005 £'000	Fair value 2005 £'000
Amounts due from related undertakings	22,324	22,324	-	-
Cash	7,818	7,818	9,974	9,974
Cash secured under the debenture stock	42,749	42,749	13,260	13,260
10¾% First Mortgage debenture stock	(75,000)	(111,602)	(75,000)	(101,315)
5¾% cumulative convertible redeemable preference shares	(32,247)	(32,247)	-	-
10% cumulative preference shares	(1,062)	(1,062)	-	-
Finance lease creditor	(1,702)	(1,702)	-	-
Amounts owed to related undertakings	(1,471)	(1,471)	-	-

No adjustments are recognised in the financial statements for differences between the fair values of financial liabilities and their book values as the liabilities are expected to be held to their maturity.

18 Share capital

	2006 Number	Authorised 2005 Number	2006 £'000	2005 £'000
<i>Equity shares</i>				
Ordinary shares of 10p each	139,382,500	139,382,500	13,938	13,938
<i>Non equity shares</i>				
5¾% convertible cumulative redeemable preference shares of £1 each	40,000,000	40,000,000	40,000	40,000
10% cumulative preference shares of £1 each	1,061,750	1,061,750	1,062	1,062
	<u>180,444,250</u>	<u>180,444,250</u>	<u>55,000</u>	<u>55,000</u>

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Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

18 Share capital (Continued)

	2006 Number	2005 Number	Allotted, called up and paid 2006 £'000	2005 £'000
<i>Equity shares</i>				
Ordinary shares of 10p each	73,783,745	73,783,745	7,378	7,378
<i>Non equity shares</i>				
5¼% convertible cumulative redeemable preference shares of £1 each	39,569,187	39,569,187	-	39,570
10% cumulative preference shares of £1 each	1,061,750	1,061,750	-	1,062
	<u>114,414,682</u>	<u>114,414,682</u>	<u>7,378</u>	<u>48,010</u>

There were no changes to the authorised or called up share capital during the year.

The 5¼% convertible preference shares are convertible at the holders option on 30 January in each of the years 2000 to 2012. The conversion rate is 83.333 ordinary shares for every 100 convertible preference shares. Any shares not so converted will be redeemed at par in October 2012. Unless the dividends are in arrears or the company is resolving to wind itself up, neither class of preference shares carries any voting rights.

The 10% cumulative preference shares rank first, and the 5¼% convertible preference shares second, in the priority to the ordinary shares, both as to dividends and to repayment on a winding up.

The group has presented the 5¼% convertible preference shares and the 10% cumulative preference shares in accordance with the requirements of IAS 32. The company has presented these shares in accordance with the presentational requirements of FRS 25. In both cases, the exemptions permitted by the appropriate financial reporting standard not to restate comparative amounts have been adopted.

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Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

19 Reserves

Group	Share premium £'000	Capital redemption reserve £'000	Equity conversion reserve £'000	Retained earnings £'000
At 24 November 2004	7,069	42	-	(15,033)
Profit for the year	-	-	-	6,634
Dividends paid on 10% cumulative preference shares	-	-	-	(35)
At 24 March 2005	7,069	42	-	(8,434)
Reclassification of non-equity shares at 25 March 2005 (note 18)	-	-	8,187	-
Profit for the year	-	-	-	36,134
At 24 March 2006	7,069	42	8,187	27,700
Company	Share premium £'000	Capital redemption reserve £'000	Equity conversion reserve £'000	Profit and loss account £'000
At 24 November 2004	7,069	42	-	(922)
Profit for the year	-	-	-	2,284
Dividends paid on 10% cumulative preference shares	-	-	-	(35)
At 24 March 2005	7,069	42	-	1,327
Reclassification of non-equity shares at 25 March 2005 (note 18)	-	-	8,187	-
Loss for the year	-	-	-	(5,006)
At 24 March 2006	7,069	42	8,187	(3,679)

Ashpol Plc**Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)****19 Reserves (Continued)**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Equity conversion	Represents the equity component relating to compound financial instruments.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

20 Changes in shareholders' equity/Reconciliation of movements in shareholders' funds

	Group	Group	Company	Company
	Year ended	Period from	Year ended	Period from
	24 March	24 November	24 March	24 November
	2006	2004 to	2006	2004 to
	£'000	24 March	£'000	24 March
		2005		2005
		£'000		£'000
Profit/(loss) for the year	36,134	6,534	(5,006)	2,284
Dividends paid on 10% cumulative preference shares	-	(35)	-	(35)
	<u>36,134</u>	<u>6,599</u>	<u>(5,006)</u>	<u>2,249</u>
Opening shareholders' funds	46,687	40,088	56,448	54,199
Reclassification of non-equity shares at 25 March 2005 (note 18)	(32,445)	-	(32,445)	-
	<u>50,376</u>	<u>46,687</u>	<u>18,997</u>	<u>56,448</u>

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Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

21 Related party disclosures

Related parties beyond the Ashpol plc group:

	Interest charged to/(from) related parties 24 March 2006 £'000	Property management charge 24 March 2006 £'000	Amounts owed to related party as at the year end 24 March 2006 £'000	Amounts owed by related party as at the year end 24 March 2006 £'000
Pelford LP	-	-	-	21
Brooklands Walk Limited	-	-	-	56
Falen International Limited	-	-	-	3
Lionsgate Properties LP	-	-	-	240
Vasella Limited	(144)	-	931	-
Pinton Estates Plc	1,133	-	-	12,468
Nyland Associates Limited	-	-	-	2
Apreit IV LP	-	-	15	-
Bridgerose Limited	-	-	-	1
REIT Asset Mangement	-	593	-	-
No Problem Limited	-	-	-	1
Vivienne Properties Limited	-	-	-	1,535
Goldacre Investments Limited	-	-	-	1
Blythe Investments Limited	-	-	-	14
Bleasdale Limited	(23)	-	525	-
Finch International Limited	-	-	-	2,474
Trafalgar Overseas Limited	6	-	-	5,508
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Ashpol Plc

Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

21 Related party disclosures (Continued)

	Interest charged to related parties 24 March 2005 £'000	Property management charge 24 March 2005 £'000	Amounts owed to related party as at the year end 24 March 2005 £'000	Amounts owed by related party as at the year end 24 March 2005 £'000
Pelford LP	-	-	-	20
The Apreit V LP	-	-	1,228	-
Brooklands Walk Limited	-	-	-	56
Falen International Limited	-	-	-	2
Lionsgate LP	-	-	-	237
REIT Asset Management	-	193	-	-
Vasella Limited	-	-	397	-
Pinton Estates Plc	135	-	-	11,335
Nyland Associates Ltd	-	-	-	2
Apreit IV LP	-	-	15	-

Except as otherwise disclosed above the balances above relate to interest free loans made or received in the year.

Mr I Smith, Mr K D McGrath, Mr M P Sheppard, and Mr L Noe are directors of Ashpol plc and are also partners of REIT Asset Management, an entity that provides property management services to group companies.

The Apreit V LP is a related party as it was the ultimate controlling party of the company throughout the current and prior year.

The other entities listed in the above tables are related parties by virtue of being 100% subsidiaries of Trafalgar Overseas Limited, which was a 50% partner in The Apreit V LP throughout the current and prior year.

During the year, the group acquired Goldacre (Offices) Limited, Goldacre (Nottingham) Limited and GCP Nominees Limited from Vivienne Properties Limited, a company registered in Gibraltar and related by virtue of its ultimate controlling party, Trafalgar Overseas Limited. Goldacre (Offices) Limited was acquired for consideration of £965,000, which equated to its net assets at the date of acquisition. Goldacre (Nottingham) Limited and GCP Nominees Limited were acquired for consideration of £1 each, giving rise to goodwill on acquisition of £5,301,000. As explained in note 10, this goodwill was immediately impaired following the acquisition.

Ashpol Plc

Notes forming part of the financial statements for the year ended 24 March 2006 (Continued)

22 Notes supporting cash flow statement

Cash and cash equivalents comprises:

	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
Cash available on demand	7,818	9,974
Short-term deposits	42,749	13,260
	<u>50,567</u>	<u>23,234</u>
Net cash increase in cash and cash equivalents	27,333	15,668
Cash and cash equivalents at beginning of year	23,234	7,566
Cash and cash equivalents at end of year	<u>50,667</u>	<u>23,234</u>

Included within cash and cash equivalents is £42,749,000 (2005 - £13,260,000) held on deposit as security against the 10¾% First Mortgage Debenture Stock 2025 (note 15).

Significant non-cash transactions are as follows:

	Year ended 24 March 2006 £'000	Period from 24 November 2004 to 24 March 2005 £'000
<i>Investing activities</i>		
Accrued interest receivable	1,235	135
<i>Financing activities</i>		
Accrued interest payable	(1,031)	(1,966)
Assets acquired under finance leases	1,702	-
	<u>671</u>	<u>(1,966)</u>

23 Loss for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a loss after tax of £5,006,000 (2005 – profit of £18,013,000) which is dealt with in the financial statements of the parent company.

24 Ultimate parent company

The immediate parent of the group is Nyland Associates Limited, a company incorporated in the British Virgin Islands.

The ultimate parent company is Trafalgar Overseas Limited, a company incorporated in the British Virgin Islands.