

**REGISTRAR OF
COMPANIES**

Ashpol plc

Report and Financial Statements

Period ended

24 March 2005



Ashpol Plc

Annual report and financial statements for the period ended 24 March 2005

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
5	Consolidated profit and loss account
6	Consolidated balance sheet
7	Company balance sheet
8	Consolidated cash flow statement
9	Notes forming part of the financial statements

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 period ended 24 March 2005

The directors present their report together with the audited financial statements for the period ended 24 March 2005.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the period.

Dividends of £35,000 (2004 - £137,000) were paid or accrued during the period on the company's 10% cumulative preference shares. The company did not pay an ordinary dividend in the period (2004 - £20,000,000).

Principal activities, trading review and future developments

The principal activity is property investment.

The directors envisage no change in activities during the forthcoming period 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 period.

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 2005 was Nil (2004 - Nil).

Directors

The directors of the company during the period were:

K D McGrath	
I Smith	
L Noe	(appointed 22 December 2004)
M Sheppard	(appointed 22 December 2004)
W S Benjamin	(resigned 31 January 2005)
M Pashley	(resigned 31 January 2005)

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 period in which any director of the company has or had a material interest.

Ashpol Plc

Report of the directors for the period ended 24 March 2005 (*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

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 group and of the profit or loss of the group 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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.

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 24 October 2005

Ashpol Plc

Report of the independent auditors

To the shareholders of Ashpol plc

We have audited the financial statements of Ashpol plc for the period ended 24 March 2005 on pages 5 to 25 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors' 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 Report of the Directors 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 and group is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

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 United Kingdom Auditing Standards issued by the Auditing Practices Board except that the scope of our work was limited as explained below.

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 group's circumstances, consistently applied and adequately disclosed.

We planned 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. However, as explained in note 9, the directors did not deliver to the registrar of companies interim accounts as required by section 272 of the Companies Act 1985 and at the date of this report we are unable to determine whether the presentation as dividends of the amounts of £35,000 in the current year and £20,000,000 in the period ended 23 November 2004, is appropriate.

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 and limitation in audit scope

As explained in note 1, investment properties have been included in the financial statements at cost rather than at open market value as is required by Statement of Standard Accounting Practice No. 19 "Accounting for Investment Properties" ("SSAP 19"). We are unable to quantify the effect, if any, on reserves and tangible fixed assets of this non-compliance with accounting standards.

In addition, SSAP 19 requires the profit or loss on disposal of investment properties to be calculated by reference to their open market values. We are unable to quantify the effect this would have, if any, on the profit on disposal of investment properties shown as £4,488,000 and the profit on disposal of subsidiary undertaking of £1,507,000 in the profit and loss account for the period ended 24 March 2005 (£1,016,000 in the period ended 23 November 2004).

Except for the failures to include the investment properties at open market value and the potential impact on profit on disposal of investment properties and subsidiary undertakings and any adjustment required in relation to the presentation of certain amounts as dividends, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 24 March 2005 and of the result of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the presentation of an amount of £35,000 as a dividend (£20,000,000 in the period ended 23 November 2004):

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

Date *24 October 2005*

Ashpol Plc**Consolidated profit and loss account for the period ended 24 March 2005**

		Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
	Note		
Rental income	2	3,537	13,816
Property outgoings		133	494
		<hr/>	<hr/>
Gross profit		3,404	13,322
Administrative expenses		299	821
		<hr/>	<hr/>
Operating profit	5	3,105	12,501
Profit on disposals of investment properties		4,488	1,016
Profit on disposal of subsidiary undertaking		1,507	-
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		9,100	13,517
Interest receivable	6	487	1,010
Interest payable	7	(2,688)	(10,271)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		6,899	4,256
Taxation on profit on ordinary activities	8	265	1,657
		<hr/>	<hr/>
Profit on ordinary activities after taxation		6,634	2,599
Dividends (equity and non-equity)	9	35	20,137
		<hr/>	<hr/>
Retained profit/(loss) for the period	19	6,599	(17,538)
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior period are included in the profit and loss account.

The notes on pages 9 to 25 form part of these financial statements.

Ashpol Plc

Consolidated balance sheet at 24 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Tangible assets	11		94,675		115,523
Current assets					
Debtors	13	12,032		717	
Cash at bank and in hand		23,234		7,566	
		35,266		8,283	
Creditors: amounts falling due within one year	14	7,280		7,791	
Net current assets			27,986		492
Total assets less current liabilities			122,661		116,015
Creditors: amounts falling due after more than one year	15	75,000		75,000	
Provision for liabilities and charges	16	974		927	
			75,974		75,927
			46,687		40,088
Capital and reserves					
Called up share capital	18		48,010		48,010
Share premium	19		7,069		7,069
Capital redemption reserve	19		42		42
Profit and loss account	19		(8,434)		(15,033)
Shareholders' funds			46,687		40,088

Included within shareholders' funds is an amount of £40,632,000 (2004 - £40,632,000) in respect of non-equity interest of which £39,570,000 (2004 - £39,570,000) are convertible into equity shares. The balance of £6,055,000 (2004 - £(544,000)) relates to equity interests.

The financial statements were approved by the board on 24 October 2005



K D McGrath
Director

The notes on pages 9 to 25 form part of these financial statements.

Ashpol Plc**Company balance sheet at 24 March 2005**

	Note	2005 £'000	2004 £'000
Current assets			
Debtors - amounts falling due within one year	13	11,875	935
- amounts falling due after more than one year	13	110,555	127,823
Cash at bank and in hand		13,563	6,082
		<hr/>	<hr/>
		135,993	134,840
Creditors: amounts falling due within one year	14	4,545	5,641
		<hr/>	<hr/>
Net current assets		131,448	129,199
Creditors: amounts falling due after more than one year	15	75,000	75,000
		<hr/>	<hr/>
		56,448	54,199
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	48,010	48,010
Share premium	19	7,069	7,069
Capital redemption reserve	19	42	42
Profit and loss account	19	1,327	(922)
		<hr/>	<hr/>
Shareholders' funds		56,448	54,199
		<hr/>	<hr/>

Included within shareholders' funds is an amount of £40,632,000 (2004 - £40,632,000) in respect of non-equity interest of which £39,570,000 (2004 - £39,570,000) are convertible into equity shares. The balance of £15,816,000 (2004 - £13,567,000) relates to equity interests.

The financial statements were approved by the board on 24 October 2005



K D McGrath
Director

The notes on pages 9 to 25 form part of these financial statements.

Ashpol Plc

Consolidated cash flow statement for the period ended 24 March 2005

		Period from 24 November 2004 to 24 March 2005 £'000	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000	Period from 15 August 2003 to 23 November 2004 £'000
	Note				
Net cash inflow from operating activities	22		10,109		29,095
Returns on investments and servicing of finance					
Interest received		352		1,010	
Interest paid		(669)		(7,930)	
Dividends paid on non-equity shares		(53)		(106)	
Net cash outflow from returns on investments and servicing of finance			(370)		(7,026)
Taxation			(640)		(378)
Capital expenditure and financial investment					
Sale of tangible fixed assets		6,569		4,977	
Disposal of subsidiaries		-		-	
Net cash inflow from capital expenditure and financial investment			6,569		4,977
Equity dividends paid			-		(20,000)
Cash inflow before use of liquid resources			15,668		6,668
Management of liquid resources					
Increase in restricted deposits			(8,860)		(4,400)
Increase in cash	24		6,808		2,268

The notes on pages 9 to 25 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and, except as indicated below, are in accordance with applicable accounting standards. The company's accounting policy in respect of investment properties departs from the requirements of the Companies Act 1985. Details of the departure are given in the "Investment properties" section below.

Compliance with accounting standards

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards except in respect of the requirement of Statement of Standard Accounting Practice No. 19 ("SSAP 19") that investment properties are included in the financial statements at their period end open market value. The directors do not believe the additional information this would provide justifies the cost of the valuations and have therefore included investment properties in the financial statements at cost less provision for any permanent diminution in value.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of Ashpol plc and all of its subsidiary undertakings as at 24 March 2005 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of their acquisition.

Investment properties

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

In accordance with SSAP 19 no depreciation is provided in respect of freehold investment properties. This treatment is a departure from the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but investment and therefore the directors consider that systematic annual depreciation would be inappropriate. Therefore the accounting policy adopted is necessary for the accounts to give a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Rental income

Rental income represents rent receivable from the letting of property in the United Kingdom.

Property outgoings

Property outgoings represent the direct costs associated with the letting of property.

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (*Continued*)

1 Accounting policies (*Continued*)

Deferred taxation

Deferred tax balances 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 instruments

In relation to the disclosures made in note 17:

- short term debtors and creditors are not treated as financial assets or financial liabilities; and
- the group does not hold or issue derivative financial instruments for trading purposes.

2 Rental income

Rental income is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

The company had no employees, apart from its directors, during the period (2004 - Nil).

4 Directors

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 period.

Ashpol Plc**Notes forming part of the financial statements for the period ended 24 March 2005 (Continued)****5 Operating profit**

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
This has been arrived at after charging:		
Auditors' remuneration - audit services	57	43
- non-audit services	8	30
	<u> </u>	<u> </u>

Included in the group audit fee is an amount of £21,410 (2004 - £20,000) in respect of the company.

6 Interest receivable

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
Interest receivable from related parties (note 21)	135	669
Bank and other interest receivable	352	341
	<u> </u>	<u> </u>
	487	1,010
	<u> </u>	<u> </u>

7 Interest payable

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
10¾% First Mortgage Debenture Stock 2025	2,688	10,271
	<u> </u>	<u> </u>

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005

8 Taxation on profit from ordinary activities

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
<i>Current tax</i>		
Current tax on profits for the period	164	1,020
Current tax on prior periods	54	367
	<hr/>	<hr/>
	218	1,387
<i>Deferred tax</i>		
Origination of timing differences	47	270
	<hr/>	<hr/>
	265	1,657
	<hr/>	<hr/>

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

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
Profit on ordinary activities before tax	6,899	4,256
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%)	2,070	1,277
Effects of:		
Expenses not deductible for tax purposes	31	125
Capital allowances for period	(48)	(270)
Utilisation of losses brought forward	(1,339)	-
Tax allowances on property disposals	(550)	(112)
Tax relating to prior periods	54	367
	<hr/>	<hr/>
Current tax charge for the period	218	1,387
	<hr/>	<hr/>

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005

9 Dividends

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
<i>Non-equity shares</i>		
10% cumulative preference shares - paid	22	106
10% cumulative preference shares - accrued	13	31
<i>Equity shares</i>		
Ordinary shares - paid	-	20,000
	<hr/>	<hr/>
	35	20,137
	<hr/>	<hr/>

The company paid or accrued non-equity share dividends of £35,000 in the period (£20,000,000 equity dividends in the period ended 23 November 2004). Interim accounts were not filed at Companies House before the payments were made and therefore these payments could be incorrectly presented. The directors had taken professional advice before the payment of the dividends was made and the professionals confirmed that the payments were in order.

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

10 Profit for the financial period

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 period includes a profit after tax and before dividends of £2,284,000 (2004 - £18,013,000) which is dealt with in the financial statements of the parent company.

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005

11 Tangible assets

Group	Freehold investment property £'000
<i>Cost</i>	
At 24 November 2004	115,523
Disposals	20,848
	<hr/>
At 24 March 2005	94,675
	<hr/>
<i>Net book value</i>	
At 24 March 2005	94,675
	<hr/>
At 23 November 2004	115,523
	<hr/>

The financial statements have been prepared in accordance with applicable accounting standards except in respect of the requirement of Statement of Standard Accounting Practice 19 which requires investment properties to be included in the financial statements at their period end open market value. The directors do not believe the additional information this would provide justifies the cost of a valuation.

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005

12 Fixed assets investments

The book value of fixed asset investments is £19 (2004 - £20).

Subsidiary undertakings

Details of the principal subsidiary undertakings at 24 March 2005 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
<i>Subsidiary undertakings held by subsidiaries of the company</i>			
Borderlands Limited	Ordinary	100	Property investment
Exactdale Limited	Ordinary	100	Property investment

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

All of the subsidiaries are incorporated in England.

For all undertakings listed above, operations are conducted in the United Kingdom.

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005

13 Debtors

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
<i>Amounts receivable within one year:</i>				
Trade debtors	52	368	36	-
Other debtors	11,652	56	11,839	56
Prepayments and accrued income	328	293	-	879
	<u>12,032</u>	<u>717</u>	<u>11,875</u>	<u>935</u>
<i>Amounts receivable in more than one year:</i>				
Amounts owed by group undertakings	-	-	110,555	127,823
	<u>-</u>	<u>-</u>	<u>110,555</u>	<u>127,823</u>

14 Creditors: amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Trade creditors	45	924	-	-
Amounts owed to group undertakings	-	-	723	528
Taxation and social security	608	60	-	-
Corporation tax	961	1,314	564	179
Other creditors	1,639	1,764	1,226	1,365
Accruals and deferred income	4,014	3,698	2,019	3,538
Accrued dividends	13	31	13	31
	<u>7,280</u>	<u>7,791</u>	<u>4,545</u>	<u>5,641</u>

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (*Continued*)

15 Creditors: amounts falling due after more than one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
10¾% First Mortgage Debenture Stock 2025 (secured)	75,000	75,000	75,000	75,000

Maturity of debt:

	Loans and overdrafts 2005 £'000	Non-equity shares 2005 £'000	Loans and overdrafts 2004 £'000	Non-equity shares 2004 £'000
Due after more than five years	75,000	40,632	75,000	40,632

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.

16 Provision for liabilities and charges

Group	Deferred taxation £'000			
At 24 November 2004				927
Profit and loss charge for the period				47
				<hr/>
At 24 March 2005				974
				<hr/>
	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Accelerated capital allowances	974	927	-	-

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. Advantage has been taken of the exemption permitting the group from treating short-term debtors and creditors as financial instruments for the purpose of these disclosures. 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 period.

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.

Interest rate profile of financial assets and financial liabilities

The group's financial assets include short term debtors and cash at bank. The interest rate profile of the group's financial assets was:

	Floating rate financial assets £'000
As at 24 March 2005	
Liquid resources - cash secured under the debenture stock	13,260
Sterling cash deposits	9,974
	<hr/> 23,234 <hr/>
As at 23 November 2004	
Liquid resources - cash secured under the debenture stock	4,400
Sterling cash deposits	3,166
	<hr/> 7,566 <hr/>

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 2005 is 4.50% (2004 - 4.50%).

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (Continued)

17 Financial instruments (Continued)

Financial liabilities

The interest rate profile of the group's financial liabilities was:

	Sterling fixed rate financial liabilities £'000
As at 24 March 2005	
10¾% First Mortgage debenture stock	75,000
5¾% cumulative convertible redeemable preference shares	39,571
10% cumulative preference shares	1,061
	<hr/>
	115,632
	<hr/>
As at 23 November 2004	
10¾% First Mortgage debenture stock	75,000
5¾% cumulative convertible redeemable preference shares	39,571
10% cumulative preference shares	1,061
	<hr/>
	115,632
	<hr/>

The 10¾ First Mortgage debenture stock carried a weighted average interest rate of 10¾% (2004 - 10¾%) and the weighted average period for which the rate was fixed was 20 years (2004 - 21 years).

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

The 10% cumulative preference shares carried a weighted average dividend rate of 10% (2004 - 10%) which is fixed into perpetuity.

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 2005 £'000	Fair value 2005 £'000	Book value 2004 £'000	Fair value 2004 £'000
Cash	9,974	9,974	3,166	3,166
Cash secured under the debenture stock	13,260	13,260	4,400	4,400
10¾% First Mortgage debenture stock	(75,000)	(101,315)	(75,000)	(94,840)
5¾% cumulative convertible redeemable preference shares	(39,570)	(39,570)	(39,570)	(39,570)
10% cumulative preference shares	(1,062)	(1,062)	(1,062)	(1,030)

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.

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (*Continued*)

18 Share capital

	2005 Number	Authorised 2004 Number	2005 £'000	2004 £'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>
		Allotted, called up and paid		
	2005 Number	2004 Number	2005 £'000	2004 £'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>				
5¾% convertible cumulative redeemable preference shares of £1 each	39,569,187	39,569,187	39,570	39,570
10% cumulative preference shares of £1 each	1,061,750	1,061,750	1,062	1,062
	<u>114,414,682</u>	<u>114,414,682</u>	<u>48,010</u>	<u>48,010</u>

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

The 5¾% convertible preference shares are convertible at the holders option on 30 January in each of the periods 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 5¾% convertible preference shares second, in the priority to the ordinary shares, both as to dividends and to repayment on a winding up.

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (Continued)

19 Reserves

Group	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 24 November 2004	7,069	42	(15,033)
Profit for the period	-	-	6,599
	<hr/>	<hr/>	<hr/>
At 24 March 2005	7,069	42	(8,434)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Company			
At 24 November 2004	7,069	42	(922)
Profit for the period	-	-	2,249
	<hr/>	<hr/>	<hr/>
At 24 March 2005	7,069	42	1,327
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

20 Reconciliation of movements in shareholders' funds

	Group Period from 24 November 2004 to 24 March 2005 £'000	Group Period from 15 August 2003 to 23 November 2004 £'000	Company Period from 24 November 2004 to 24 March 2005 £'000	Company Period from 15 August 2003 to 23 November 2004 £'000
Profit for the period	6,534	2,599	2,284	18,013
Dividends	(35)	(20,137)	(35)	(20,137)
	<hr/>	<hr/>	<hr/>	<hr/>
	6,599	(17,538)	2,249	(2,124)
Opening shareholders' funds	40,088	57,626	54,199	56,323
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	46,687	40,088	56,448	54,199
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (Continued)

21 Related party disclosures

Related parties beyond the Ashpol plc group:

	Interest charged to related parties 24 March 2005 £'000	Property management charge 24 March 2005 £'000	Amounts owed to related party as at the period end 24 March 2005 £'000	Amounts owed by related party as at the period 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	-

	Interest charged to related parties 23 November 2004 £'000	Property management charge 23 November 2004 £'000	Amounts owed to related party as at the period end 23 November 2004 £'000	Amounts owed by related party as at the period end 23 November 2004 £'000
The Apreit V LP	669	-	1,365	-
Brooklands Walk Limited	-	-	-	56
Falen International Limited	-	-	2	-
REIT Asset Management	-	306	-	-
Vasella Limited	-	-	397	-

On 16 December 2004 the Group disposed of its interest in No Problem Limited to Property Holdings (Windsor) for a consideration of £1. A profit of £1,507,000 arose in the Group on this disposal.

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (Continued)

21 Related party disclosures (Continued)

Related parties beyond the Ashpol plc group: (Continued)

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

All of the directors of Ashpol plc 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 period.

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 period.

22 Reconciliation of operating profit to net cash inflow from operating activities

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
Operating profit	3,105	12,501
Decrease in debtors	9,094	16,093
(Decrease)/increase in creditors	(2,090)	501
	<hr/>	<hr/>
Net cash inflow from operating activities	10,109	29,095
	<hr/>	<hr/>

23 Reconciliation of net cash flow to movement in net debt

	Period from 24 November 2004 to 24 March 2005 £'000	Period from 15 August 2003 to 23 November 2004 £'000
Increase in cash in the period	6,808	2,268
Cash inflow from changes in liquid resources	8,860	4,400
Opening net debt	(67,434)	(74,102)
	<hr/>	<hr/>
Closing net debt	(51,766)	(67,434)
	<hr/>	<hr/>

Ashpol Plc

Notes forming part of the financial statements for the period ended 24 March 2005 (Continued)

24 Analysis of net debt

	At 24 November 2004 £'000	Cash flow £'000	At 24 March 2005 £'000
Cash at bank and in hand	3,166	6,808	9,974
Liquid resources - bank deposits	4,400	8,860	13,260
Debt due after more than five years	(75,000)	-	(75,000)
	<u>(67,434)</u>	<u>15,668</u>	<u>(51,766)</u>

25 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.