

MELLHAM LIMITED

Company Number: 1799773

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2004



MELLHAM LIMITED

COMPANY INFORMATION

Directors	Mr A Puri Mr R Mochor
Secretary	M M Secretariat Limited
Company Number	1799773
Registered Office	Environment House 6 Union Road Nottingham NG3 1FH
Auditors	PKF (UK) LLP Regent House Clinton Avenue Nottingham NG5 1AZ

MELLHAM LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES	2
INDEPENDENT AUDITORS' REPORT	3 - 4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
CASH FLOW STATEMENT	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 12

MELLHAM LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2004

The directors submit their report and the financial statements for the year ended 31 December 2004.

Results and dividends

The profit for the year, after taxation, amounted to **£1,672,595** (2003 - £13,628 loss).

Principal activity and review of the business

The company trades as an intermediate holding company.

Mellham Limited owns 50% of Autoforge Limited, a property letting company.

Directors

The directors who served during the year were:

Mr N R Puri (resigned 22 November 2004)

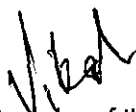
Mr A Puri

Mr R Mochor (appointed 22 December 2004)

None of the directors has any interests in the share capital of the company. The interests of the directors in the share capital of the ultimate parent company are shown in that company's financial statements.

Contingent liability

The company has received an estimated assessment from HM Revenue & Customs assessing additional corporation tax of £10.385 million for the year ended 31 December 1998. The assessment is based on an estimated chargeable gain of £33.5 million arising on the transfer of the company's investment in Melham Holdings Inc. to Purico (IOM) Ltd in September 1998. The company has appealed against the estimated assessment and applied for full postponement of the additional tax assessed. The matter is currently subject to on-going correspondence with HM Revenue & Customs.


By order of the board

M M Secretariat Limited
Secretary

MELLHAM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MELLHAM LIMITED

We have audited the financial statements of Mellham Limited for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The 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 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 judgments 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.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the estimated assessment from HM Revenue & Customs assessing additional corporation tax of £10.385 million for the year ended 31 December 1998. Details of the circumstances relating to this fundamental uncertainty are described in note 11.

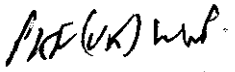
Our opinion is not qualified in this respect.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MELLHAM LIMITED (continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nottingham, UK
30 September 2005


PKF (UK) LLP
Registered Auditors

MELLHAM LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Administrative expenses		(23,635)	(35,257)
Other operating income - exceptional		<u>1,696,198</u>	<u>76,060</u>
OPERATING PROFIT	2	1,672,563	40,803
Interest receivable and similar income		32	19
Interest payable and similar charges		<u>-</u>	<u>(102,192)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,672,595	(61,370)
TAXATION	3	<u>-</u>	<u>47,742</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>1,672,595</u>	<u>(13,628)</u>

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.


MELLHAM LIMITED

BALANCE SHEET 31 DECEMBER 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible	4	708	4,958
Investments	5	200,000	200,000
		<u>200,708</u>	<u>204,958</u>
CURRENT ASSETS			
Debtors - including amounts due after one year	6	3,987,052	2,461,325
Cash at bank and in hand		10,113	11,278
		<u>3,997,165</u>	<u>2,472,603</u>
CREDITORS: amounts falling due within one year	7	<u>(9,484)</u>	<u>(161,767)</u>
NET CURRENT ASSETS		<u>3,987,681</u>	<u>2,310,836</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,188,389</u>	<u>2,515,794</u>
CREDITORS: amounts falling due after more than one year	8	<u>(187,129)</u>	<u>(187,129)</u>
NET ASSETS		<u><u>4,001,260</u></u>	<u><u>2,328,665</u></u>
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account	10	4,001,160	2,328,565
SHAREHOLDERS' FUNDS		<u><u>4,001,260</u></u>	<u><u>2,328,665</u></u>

The financial statements were approved by the board on

Signed on behalf of the board of directors


A Puri

Director

MELLHAM LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	1,672,563	40,803
Depreciation of tangible fixed assets	4,250	4,250
(Increase)/decrease in debtors	(1,525,727)	119,871
Decrease in creditors	(22,537)	(2,589)
Net cash inflow from operating activities	<u>128,549</u>	<u>162,335</u>
 CASH FLOW STATEMENT (note)		
Net cash inflow from operating activities	128,549	162,335
Returns on investments and servicing of finance	32	(111,263)
Taxation	(129,746)	(52,147)
Decrease in cash	<u>(1,165)</u>	<u>(1,075)</u>
 Reconciliation of net cash flow to movement in net funds (note)		
Decrease in cash in the year	(1,165)	(1,075)
Net funds at 1 January 2004	11,278	12,353
Net funds at 31 December 2004	<u>10,113</u>	<u>11,278</u>

MELLHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	25 % Reducing Balance
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(c) Investments

Investments are stated at cost less provision for permanent diminution.

(d) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2 OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of tangible fixed assets:		
- owned by the company	4,250	4,250
Audit fees	2,191	2,380
Bank charges	103	72
Exchange rate loss/(gain)	477	861
Exceptional items:		
Write back of related company debt	(161,845)	(76,060)
Write back of old debts from Melham US Inc	(1,534,352)	-
	<u> </u>	<u> </u>

No directors received any emoluments (2003 - £NIL).

In May 2004, the company received £1,534,353 in respect of amounts due from Melham US Inc. - a subsidiary that was incorporated in the United States of America. The investment in Melham US Inc. and the related intercompany debt were fully written down in 1999. The cash has been passed to Purico Limited for investment purposes.

During 2004 Ancefin Limited paid £161,845 in relation to debts due from other related companies that had previously been provided as exceptional items.

MELLHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

3 TAXATION

(a) Analysis of charge in year	2004	2003
	£	£
UK corporation tax		
Current tax on income for the year	-	1,000
Adjustments in respect of prior periods	-	(48,742)
Tax on profit on ordinary activities	<u>-</u>	<u>(47,742)</u>

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004	2003
	£	£
Profit/(loss) on ordinary activities before tax	<u>1,672,595</u>	<u>(61,370)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003: 30%)	501,779	(18,411)
Effects of:		
Expenses not deductible for tax purposes	-	19,411
Adjustments to tax charges in respect of prior periods	-	(48,742)
Non taxable income	(508,859)	-
Other timing differences	<u>7,080</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>(47,742)</u>

See note 11 for details of the tax assessment that the company has received in relation to 1998.

4 TANGIBLE FIXED ASSETS

	Motor vehicles
	£
Cost	
At 1 January 2004 and 31 December 2004	<u>17,000</u>
Depreciation	
At 1 January 2004	12,042
Charge for year	4,250
At 31 December 2004	<u>16,292</u>
Net book amount	
At 31 December 2004	<u>708</u>
At 31 December 2003	<u>4,958</u>

MELLHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

5 FIXED ASSET INVESTMENTS

	Shares in participating interests £
Cost	
At 1 January 2004 and	
31 December 2004	<u><u>200,000</u></u>

Investments in participating interests: Autoforge Limited, a company incorporated in England and Wales, comprising a holding of 50% of its issued ordinary capital. Autoforge Limited owns a retail development in Aston, near Birmingham.

During its latest financial year Autoforge Limited made a profit after tax of **£74,965** (2003 - £(64,969)) and at the end of that year the aggregate of its capital and reserves was **£(270,241)** (2003 - £(345,206)).

6 DEBTORS

	2004 £	2003 £
Due within one year		
Trade debtors	25,000	-
Prepayments & accrued income	<u>1,155</u>	<u>1,155</u>
	26,155	1,155
Due after one year		
Other debtors	<u>3,960,897</u>	<u>2,460,170</u>
	<u><u>3,987,052</u></u>	<u><u>2,461,325</u></u>

Other debtors due within one year include amounts of £25,000 held by the company's solicitors for an on-going enquiry into the recoverability of taxation. The £25,000 is recoverable on the conclusion of a successful outcome of the enquiry.

Other debtors due after one year include amounts due from associated undertakings £1,166,394 (2003 - £1,166,394) and related undertakings £2,794,503 (2003 - £1,293,776).

7 CREDITORS

	2004 £	2003 £
Amounts falling due within one year		
Corporation tax	-	129,746
Accruals and deferred income	<u>9,484</u>	<u>32,021</u>
	<u><u>9,484</u></u>	<u><u>161,767</u></u>

MELLHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

8 CREDITORS

	2004 £	2003 £
Amounts falling due after more than one year		
Amounts owed to related parties	<u>187,129</u>	<u>187,129</u>

Amounts owed to related party is a unsecured and interest free loan from a related company (note 12).

9 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 January 2004 and 31 December 2004 Ordinary shares of £1 each	<u>1,000</u>	<u>100</u>	<u>100</u>

10 RESERVES

Profit and loss account	£
At 1 January 2004	2,328,565
Profit for the year	<u>1,672,595</u>
At 31 December 2004	<u>4,001,160</u>

11 CONTINGENT LIABILITIES

The company has received an estimated assessment from HM Revenue & Customs assessing additional corporation tax of £10.385 million for the year ended 31 December 1998. The assessment is based on an estimated chargeable gain of £33.5 million arising on the sale of the company's investment in Melham Holdings Inc. to Purico (IOM) Ltd in September 1998. The company has appealed against the estimated assessment and applied for full postponement of the additional tax assessed. The matter is currently subject to on-going correspondence with HM Revenue & Customs.

MELLHAM LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

12 TRANSACTIONS WITH RELATED PARTIES

As at 31 December 2004, Mellham Limited was due/(owed) the following gross amounts from/to related parties:

	2004 £	2003 £
Autoforge Limited	1,666,394	1,666,394
Melham Holdings Limited	870,396	911,222
Ancefin Limited	2,828,827	2,990,672
Purico Limited	2,424,107	882,554
Environment Design Consultants	(187,129)	(187,129)

The following provisions have been made against the above related party debtors (shown as gross amounts):

	2004 £	2003 £
Autoforge Limited	500,000	500,000
Melham Holdings Limited	500,000	500,000
Ancefin Limited	2,828,827	2,990,672

On 23 June 2005 Melham Holdings Limited changed its name to Melham Group Limited. All the above intercompany debtors and creditors are unsecured and interest free.

In May 2004, the company received £1,534,353 in respect of amounts due from Melham US Inc. - a subsidiary that was incorporated in the United States of America. The investment in Melham US Inc. and the related intercompany debt were fully written down in 1999. The cash has been passed to Purico Limited for investment purposes.

Autoforge Limited is 50% owned by Mellham Limited. Ancefin Limited, Melham Group Limited, Environmental Design Consulting and Purico Limited are ultimately controlled by Mr N R Puri.

The directors of Purico (Isle of Man) Limited have confirmed that they will provide financial support for the foreseeable future to Purico Limited, its subsidiary undertaking, in order to meet its obligations. The directors of Mellham Limited are of the opinion that the debt disclosed above is fully recoverable.

13 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Creditoffer Limited.

Creditoffer Limited is ultimately controlled by Mr N R Puri.