

REGISTRAR'S
COPY

**FERRERSMERE ESTATES
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2004



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Company no 2303538

FERRERSMERE ESTATES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2004

Company registration number: 2303538

Registered office: Nene Park
Diamond Way
Irthlingborough
Northants
NN9 5QF

Directors: Mr W M Griggs (Chairman)
Mr S W Griggs

Secretary: SLC Registrars Limited

Bankers: HSBC Bank plc

Auditors: Grant Thornton UK LLP
Registered auditors
Chartered accountants

FERRERSMERE ESTATES LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2004

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FERRERSMERE ESTATES LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2004

The directors present their report together with financial statements for the year ended 31 March 2004.

Principal activity

The company is principally engaged in the holding of properties for use within the group and the holding of investment properties.

Business review

There was a loss for the year after taxation amounting to £269,989 (2003: loss £171,773). The directors cannot recommend payment of a dividend.

Post balance sheet events

On 10 June 2004 the company sold a substantial amount of its UK property portfolio for a cash consideration of £12.4 million.

Exceptional items

As a result of the continuing restructuring of the group's operations, the company has incurred restructuring costs totalling £154,910 (2003: £59,917) which are reflected in other operating income and charges.

There was an exceptional charge of £197,920 (2003: £193,303) in respect of a revaluation loss for the value of the company's properties. There was an exceptional gain on disposal of properties of £1,525,000 (2003: £Nil).

Directors

The present membership of the Board is set out below. All directors served throughout the year.

Mr W M Griggs (Chairman)

Mr S W Griggs

The interests of the directors, who are both directors of the parent undertaking, are disclosed in that company's financial statements.

Directors' responsibilities for the financial statements

Company law in the United Kingdom 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 year. 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FERRERSMERE ESTATES LIMITED

REPORT OF THE DIRECTORS

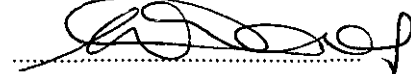
For the year ended 31 March 2004

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



W M Griggs

Chairman

27 JULY 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FERRERSMERE ESTATES LIMITED

We have audited the financial statements of Ferrersmere Estates Limited for the year ended 31 March 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the statement of total recognised gains and losses and notes 1 to 19. 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 the directors and auditors

The directors' responsibilities for preparing the directors' 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 other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We 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.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FERRERSMERE ESTATES LIMITED**

Opinion

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


GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Northampton

27 July 2004

FERRERSMERE ESTATES LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention except that investment properties and freehold properties are revalued.

The financial statements have been prepared on a going concern basis. This may not be appropriate as the company is reliant on the continued financial support of other group companies.

The company has provided a cross guarantee for other group companies' bank borrowings and is reliant on the group companies not requiring immediate payment of amounts owed to them. The directors therefore consider that future liabilities will be met as they fall due and consider it appropriate to prepare the financial statements on a going concern basis.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total rent receivable by the company, excluding VAT.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost or valuation of all tangible fixed assets other than freehold land and investment properties by equal annual instalments over their expected useful lives. The rate generally applicable is:

Freehold buildings	2% straight line method
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DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

INVESTMENT PROPERTIES

Investment properties are revalued annually and are included in the balance sheet at their open market value. The surpluses or deficits on revaluation of such properties are transferred to the investment property revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

This policy represents a departure from the Companies Act 1985, which requires depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

FERRERSMERE ESTATES LIMITED

PRINCIPAL ACCOUNTING POLICIES

RETIREMENT BENEFITS

Defined Benefit Pension Scheme

The company participates in a defined benefit pension scheme but is unable to identify its share of the underlying assets and liabilities. The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

FERRERSMERE ESTATES LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2004

	Note	2004 £	2003 £
Turnover	1	258,295	213,577
Other operating income and charges	2	<u>(2,116,438)</u>	<u>(340,396)</u>
Operating loss		(1,858,143)	(126,819)
Exceptional item			
Profit on disposal of fixed assets		1,525,000	-
Net interest	3	<u>1,061</u>	<u>(653)</u>
Loss on ordinary activities before taxation	1	(332,082)	(127,472)
Tax on loss on ordinary activities	5	(62,093)	44,301
Loss for the financial year	11	<u>(269,989)</u>	<u>(171,773)</u>

All of the operations of the company are considered to be continuing.


The accompanying accounting policies and notes form an integral part of these financial statements.

FERRERSMERE ESTATES LIMITED

BALANCE SHEET AT 31 MARCH 2004

	Note	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	6		10,661,032		12,385,000
Current assets					
Debtors	7	87,034		37,336	
Creditors: amounts falling due within one year	8	<u>12,758,947</u>		<u>4,853,228</u>	
Net current liabilities			<u>(12,671,913)</u>		<u>(4,815,892)</u>
Total assets less current liabilities			<u>(2,010,881)</u>		7,569,108
Creditors: amounts falling due in more than one year	9		-		9,310,000
			<u>(2,010,881)</u>		<u>(1,740,892)</u>
Capital and reserves					
Called up share capital	10		2		2
Profit and loss account	11		(2,196,224)		(1,926,235)
Revaluation reserve	11		185,341		185,341
Shareholders' funds	12		<u>(2,010,881)</u>		<u>(1,740,892)</u>

The financial statements were approved by the Board of Directors on 27 JULY 2004



W M Griggs
Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

FERRERSMERE ESTATES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2004	2003
	£	£
Loss for the financial year	(269,989)	(171,773)
Unrealised surplus on revaluation of investment properties	-	185,341
Total recognised gains and losses for the year	<u>(269,989)</u>	<u>13,568</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

FERRERSMERE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and loss on ordinary activities before taxation are attributable to the company holding properties for use within the group and the holding of investment properties.

The loss on ordinary activities is stated after:

	2004 £	2003 £
Auditors' remuneration	<u>4,000</u>	<u>1,900</u>

2 OTHER OPERATING INCOME AND CHARGES

	2004 £	2003 £
Revaluation losses	197,920	193,303
Depreciation	53,961	49,594
Administrative expenses (including exceptional item)	1,864,557	97,499
	<u>2,116,438</u>	<u>340,396</u>

Included in administrative expenses above are exceptional costs totalling £154,910 (2003: £59,917) relating to the restructuring of the group's operations.

3 NET INTEREST

	2004 £	2003 £
Other interest payable and similar charges	-	653
Other interest receivable and similar income	(1,061)	-
	<u>(1,061)</u>	<u>653</u>

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2004 £	2003 £
Wages and salaries	60,985	-
Social security costs	5,021	-
Other pension costs	7,183	-
	<u>73,189</u>	<u>-</u>

The average number of employees of the company (including directors) during the year was 6 (2003: 4).

FERRERSMERE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge represents:

	2004 £	2003 £
Adjustments in respect of prior year:		
Corporation tax	(62,093)	-
Group relief	-	54,955
Total current tax	(62,093)	54,955
Deferred tax	-	(10,654)
Tax on loss on ordinary activities	(62,093)	44,301

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained as follows:

	2004 £	2003 £
Loss on ordinary activities before tax	(332,082)	(127,472)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(99,625)	(38,242)
Effects of:		
(Income)/expenses not (taxable)/deductible	(92,299)	59,191
Depreciation for the year in excess of capital allowances	75,108	(114,370)
Difference between capital gain and profit on disposal	13,535	-
Unutilised management expenses/non trade deficit	103,281	93,421
Adjustments to tax charge in respect of prior years	(62,093)	54,955
Current tax charge for the year	(62,093)	54,955

FERRERSMERE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6 TANGIBLE FIXED ASSETS

	Total £	Investment properties £	Freehold land and buildings £
Cost or valuation			
At 1 April 2003	12,385,000	1,285,000	11,100,000
Additions	212,913	-	212,913
Reclassification	-	8,819,032	(8,819,032)
Revaluation deficit	(243,881)	-	(243,881)
Disposals	(1,685,000)	(185,000)	(1,500,000)
At 31 March 2004	<u>10,669,032</u>	<u>9,919,032</u>	<u>750,000</u>
Depreciation			
At 1 April 2003	-	-	-
Provided in the year	53,961	-	53,961
Eliminated on revaluation	(45,961)	-	(45,961)
At 31 March 2004	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Net book amount at 31 March 2004	<u>10,661,032</u>	<u>9,919,032</u>	<u>742,000</u>
Net book amount at 31 March 2003	<u>12,385,000</u>	<u>1,285,000</u>	<u>11,100,000</u>

The figures stated above for cost or valuation include valuations as follows:

	Total		Investment properties		Freehold land and buildings	
	2004	2003	2004	2003	2004	2003
	£	£	£	£	£	£
At cost	8,369,032	10,085,000	7,619,032	635,000	750,000	9,450,000
At valuation						
31 March 2004	2,300,000	-	2,300,000	-	-	-
12 March 2003	-	2,300,000	-	650,000	-	1,650,000
	<u>10,669,032</u>	<u>12,385,000</u>	<u>9,919,032</u>	<u>1,285,000</u>	<u>750,000</u>	<u>11,100,000</u>

Freehold land and buildings and investment properties were revalued on 12 March 2003 by GVA Grimley Chartered Surveyors. The basis of the valuation used was open market value with vacant possession in existing condition.

The properties were revalued using the directors' estimate of open market value at 31 March 2004.

FERRERSMERE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6 TANGIBLE FIXED ASSETS (CONTINUED)

If investment properties and freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Total £	Investment properties £	Freehold land and buildings £
Cost	11,471,873	10,721,873	750,000
Accumulated depreciation	8,000	-	8,000
Net book value at 31 March 2004	<u>11,463,873</u>	<u>10,721,873</u>	<u>742,000</u>
Net book value at 31 March 2003	<u>12,902,123</u>	<u>1,202,130</u>	<u>11,699,993</u>

7 DEBTORS

	2004 £	2003 £
Trade debtors	52,652	21,297
Prepayments and accrued income	34,382	16,039
	<u>87,034</u>	<u>37,336</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank overdraft	2,012,643	3,970,118
Trade creditors	87,402	-
Amounts owed to group undertakings	10,414,765	775,000
Social security and other taxes	-	3,172
Accruals and deferred income	244,137	104,938
	<u>12,758,947</u>	<u>4,853,228</u>

The bank overdraft is secured by a fixed and floating charge over all of the assets of the company and cross guarantees from group undertakings.

9 CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2004 £	2003 £
Amounts owed to group undertakings	<u>-</u>	<u>9,310,000</u>

FERRERSMERE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10 SHARE CAPITAL

	2004 £	2003 £
Authorised 500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 RESERVES

	Investment properties revaluation reserve £	Profit and loss account £
At 1 April 2003	185,341	(1,926,235)
Transfer from reserves	-	(269,989)
At 31 March 2004	<u>185,341</u>	<u>(2,196,224)</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the financial year	(269,989)	(171,773)
Other recognised gains and losses	<u>-</u>	<u>185,341</u>
Net (decrease)/increase in shareholders' funds	(269,989)	13,568
Shareholders' funds at 1 April 2003	(1,740,892)	(1,754,460)
Shareholders' funds at 31 March 2004	<u>(2,010,881)</u>	<u>(1,740,892)</u>

13 LEASING COMMITMENTS

	Land and buildings 2004 £	Land and buildings 2003 £
Operating leases which expire: Within one year	<u>38,750</u>	<u>-</u>

FERRERSMERE ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

14 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2004 or 31 March 2003.

15 CONTINGENT LIABILITIES

The company, together with other group undertakings, is party to unlimited multilateral guarantees given in respect of the bank loans and overdrafts of the participating companies. As at 31 March 2004 the total of the loans and overdrafts guaranteed by the company under this agreement amounted to £23,248,367 (2003: £18,681,265).

16 RETIREMENT BENEFITS

Defined Benefit Pension Scheme

The company participates in a defined benefit pension scheme but is unable to identify its share of the underlying assets and liabilities. The pension costs charged against operating losses are the contributions payable to the scheme in respect of the accounting period. The transitional disclosures required in accordance with FRS 17 have been disclosed within the financial statements of Airwair International Limited which is the sponsoring employer.

17 TRANSACTIONS WITH RELATED PARTIES

Transactions with group undertakings

As a wholly owned subsidiary of R Griggs Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by R Griggs Group Limited.

18 CONTROLLING RELATED PARTY

The ultimate parent undertaking and controlling related party of this company is R Griggs Group Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by R Griggs Group Limited. Copies of the group accounts can be obtained from Cobbs Lane, Wollaston, Northants, NN29 7SW.

19 POST BALANCE SHEET EVENTS

On 10 June 2004 the company sold a substantial amount of its property portfolio for a cash consideration of £12.4 million.