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Ferrersmere Estates Limited

Report and Financial Statements

31 March 2005



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Ferrersmere Estates Limited

Registered No: 2303538

Directors

W M Griggs
S W Griggs

Secretary

SLC Registrars Limited

Auditors

Ernst & Young LLP
City Gate West
Toll House Hill
Nottingham
NG1 5FY

Bankers

HSBC Bank Plc

Registered office

Nene Park
Diamond Way
Irthlingborough
Northants
NN9 5QF

Directors' report

The directors present their report and financial statements for the year ended 31 March 2005.

Results and dividends

The profit for the year amounted to £1,713,629. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

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

Directors

The directors who served the company during the year were as follows:

W M Griggs
S W Griggs

There are no directors' interests requiring disclosure under the Companies Act 1985.

Exceptional items

As a result of the continuing restructuring of the group's operations, the company has incurred restructuring costs totalling £675,000 (2004: £154,910) which are reflected in other operating income and charges.

There was an exceptional gain on disposal of properties of £2,702,409 (2004: £1,525,000).

Auditors

On 10th January 2005, Ernst & Young LLP were appointed as auditors of the company following the resignation of Grant Thornton UK LLP.

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

On behalf of the board

W M Griggs



Director

7 December 2005

Statement of directors' responsibilities in respect of the 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. 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; and
- 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 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.

Independent auditors' report

to the members of Ferrersmere Estates Limited

We have audited the company's financial statements for the year ended 31 March 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

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

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

Independent auditors' report

to the members of Ferrersmere Estates Limited (continued)

Opinion

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

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Nottingham

16/12/ 2005

Profit and loss account

for the year ended 31 March 2005

	Notes	2005 £	2004 £
Turnover	2	163,813	258,295
Staff costs	6	8,607	73,189
Depreciation	3	8,000	53,961
Exceptional items	5	675,000	154,910
Other operating charges		461,855	1,834,378
		<u>1,153,462</u>	<u>2,116,438</u>
Operating loss	3	(989,649)	(1,858,143)
Profit on disposal of tangible fixed assets	5	2,702,409	1,525,000
		<u>1,712,760</u>	<u>(333,143)</u>
Interest receivable	7	869	1,061
Profit/(loss) on ordinary activities before taxation		<u>1,713,629</u>	<u>(332,082)</u>
Tax on profit/(loss) on ordinary activities	8	—	(62,093)
Profit retained/(loss) for the financial year		<u><u>1,713,629</u></u>	<u><u>(269,989)</u></u>

Statement of total recognised gains and losses

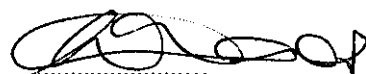
There are no recognised gains or losses other than the profit of £1,713,629 attributable to the shareholders for the year ended 31 March 2005 (2004 - loss of £269,989).

Balance sheet

at 31 March 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	9	734,000	742,000
Investments	10	650,000	9,919,032
		<u>1,384,000</u>	<u>10,661,032</u>
Current assets			
Debtors	11	27,288	87,034
Creditors: amounts falling due within one year	12	<u>1,708,540</u>	<u>12,758,947</u>
Net current liabilities		<u>(1,681,252)</u>	<u>(12,671,913)</u>
Total assets less current liabilities		<u>(297,252)</u>	<u>(2,010,881)</u>
Capital and reserves			
Called up share capital	16	2	2
Revaluation reserve	17	185,341	185,341
Profit and loss account	17	<u>(482,595)</u>	<u>(2,196,224)</u>
Equity shareholder's deficit	17	<u>(297,252)</u>	<u>(2,010,881)</u>

ERNST & YOUNG



W M Griggs
Director

7 December 2005

Notes to the financial statements

at 31 March 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

The company is reliant on the continued financial support of other group companies. The directors of the company's ultimate holding company, R Griggs Group Limited, have confirmed that future liabilities of Ferrersmere Estates Limited will be met as they fall due by R Griggs Group Limited. The directors of Ferrersmere Estates Limited therefore consider it appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

Related parties transactions

The company is a wholly owned subsidiary of R Griggs Group Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the R Griggs group.

Fixed assets

All fixed assets are initially recorded at cost or valuation, net of depreciation and any provision for impairment.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates for each asset evenly over its expected useful life, as follows:

Freehold Property - 2% straight line

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 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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Notes to the financial statements

at 31 March 2005

Deferred taxation (continued)

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pension costs

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.

2. Turnover

Turnover is the total rent receivable by the company, excluding VAT in respect of the company's principal activity and is wholly undertaken in the UK.

3. Operating loss

This is stated after charging:

	2005 £	2004 £
Auditors' remuneration - audit services	5,500	4,000
- non-audit services	13,750	—
	<u>19,250</u>	<u>4,000</u>
Depreciation of owned fixed assets	<u>8,000</u>	<u>53,961</u>

4. Directors emoluments

Directors emoluments have been borne by the other group companies. The directors of the company are also directors or officers of a number of the companies within the R Griggs Group. The directors services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 March 2005 and 31 March 2004.

Notes to the financial statements

at 31 March 2005

5. Exceptional items

	2005 £	2004 £
Recognised in arriving at operating profit:		
Restructuring costs	(675,000)	(154,910)
Recognised below operating profit:		
Profit on disposal of fixed assets	2,702,409	1,525,000

6. Staff costs

	2005 £	2004 £
Wages and salaries	7,233	60,985
Social security costs	846	5,021
Other pension costs (note 13)	528	7,183
	8,607	73,189

The monthly average number of employees during the year was as follows:

	2005 No.	2004 No.
Administrative staff	2	4
Directors	2	2
	4	6

7. Interest receivable

	2005 £	2004 £
Interest receivable and similar income	869	1,061

8. Tax

(a) Tax on profit/(loss) on ordinary activities
The tax credit is made up as follows:

	2005 £	2004 £
<i>Current tax:</i>		
Corporation tax	—	—
Tax under/(over) provided in previous years	—	(62,093)
Total current tax (note 8(b))	—	(62,093)

Notes to the financial statements

at 31 March 2005

8. Tax (continued)

(b) Factors affecting current tax charge

The differences are reconciled below:

	2005 £	2004 £
Profit/(loss) on ordinary activities before taxation	1,713,629	(332,082)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	514,089	(99,625)
Depreciation for the year in excess of capital allowances	(1,031,905)	75,108
Difference between capital gain and profit on disposal	(381,969)	13,535
Unutilised management expenses/non trade deficit	–	103,281
Adjustments to tax charge in respect of prior years	–	(62,093)
(Income)/expenses not (taxable)/deductible	46,355	(92,299)
Unutilised trading losses for the year	853,430	–
Total current tax (note 8(a))	–	(62,093)

(c) Deferred tax

The deferred taxation asset not recognised in the financial statements is as follows:

	2005 £	2004 £
Capital allowances in advance of depreciation	(226,387)	(1,258,292)
Tax losses available	(913,938)	(60,526)
Other timing differences	(2,305,762)	–
	(3,446,087)	(1,318,818)

The current and total effective tax rates in 2005 and 2004 are lower than standard primarily because of the inability to use immediately the losses arising in the UK in both years. The Company is unable to utilise the losses arising in either year other than by way of offset against future profits. Given the uncertainty over future utilisation of these timing differences and losses (e.g. profits may arise in entities that cannot offset the losses), no deferred tax assets have been recognised in respect of them. As and when these timing differences and losses are utilised, this will affect the current and total tax charges.

Notes to the financial statements

at 31 March 2005

9. Tangible fixed assets

Freehold Land and Buildings
£

Cost:	
At 1 April 2004 and 31 March 2005	750,000
Depreciation:	
At 1 April 2004	8,000
Provided during the year	8,000
At 31 March 2005	16,000
Net book value:	
At 31 March 2005	734,000
At 1 April 2004	742,000

10. Investments

Investment properties
£

Valuation:	
At 1 April 2004	9,919,032
Disposals	(9,269,032)
At 31 March 2005	650,000

Investment properties were revalued using the directors' estimate of open market value at 31 March 2005. The historical cost of the investment properties is £635,000 (2004: £7,619,032).

11. Debtors

	2005 £	2004 £
Trade debtors	1,186	52,652
Amounts owed by group undertakings	24,065	—
Prepayments and accrued income	2,037	34,382
	<u>27,288</u>	<u>87,034</u>

12. Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	1,441,397	2,012,643
Trade creditors	6,353	87,402
Amounts owed to group undertakings	2,181	10,414,765
Accruals and deferred income	258,609	244,137
	<u>1,708,540</u>	<u>12,758,947</u>

Notes to the financial statements

at 31 March 2005

13. Pensions

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. 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.

14. Contingent liability

The company, together with other group undertakings, is party to unlimited multilateral guarantees given in respect of the bank loans and overdrafts of participating companies. As at 31 March 2005 the total cost of the loans and overdrafts guaranteed by the company under this agreement amounted to £14,568,938 (2004: £23,248,367).

15. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

16. Share capital

		2005		Authorised 2004	
		£		£	
Ordinary shares of £1 each		500,000		500,000	
		Allotted, called up and fully paid			
		2005		2004	
	No.	£	No.	£	
Ordinary shares of £1 each	2	2	2	2	

17. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Revaluation reserve £	Profit and loss account £	Total share- holders' funds £
At 1 April 2003	2	185,341	(1,926,235)	(1,740,892)
Loss for the year	—	—	(269,989)	(269,989)
At 31 March 2004	2	185,341	(2,196,224)	(2,010,881)
Profit for the year	—	—	1,713,629	1,713,629
At 31 March 2005	2	185,341	(482,595)	(297,252)

Notes to the financial statements

at 31 March 2005

18. Ultimate parent company

Ferrersmere Estates Limited is wholly owned by R Griggs Group Limited, the only group of which the company is a member and for which group financial statements are prepared.

Copies of the ultimate parent company's consolidated financial statements may be obtained from Cobbs Lane, Wollaston, Northants, NN29 7SW.