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COMPANY NUMBER: 3268801

RIDGEFORD PROPERTIES LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004



RIDGEFORD PROPERTIES LIMITED
CONTENTS
YEAR ENDED 31 MARCH 2004

	Page
<i>Director's Report</i>	1
Statement Of Directors Responsibilities	2
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6-13
Detailed Trading Profit and Loss Account	14-15

RIDGEFORD PROPERTIES LIMITED
DIRECTOR'S REPORT
YEAR ENDED 31 MARCH 2004

DIRECTOR C T Murray

The sole director has pleasure in presenting his report and the audited financial statements for the year ended 31 March 2004.

RESULTS

The loss after taxation amounted to (£4,348,273) (2003: loss £1,074,764) and was transferred to reserves. The director does not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is that of property managers and developers.

DIRECTOR AND HIS INTERESTS

The director has no beneficial interest in the share capital of the company.

DONATIONS

During the year the company made donations totalling £4,659 to various charitable organisations.

AUDITORS

Following the transfer of substantially all of the business of Horwath Clark Whitehill to a limited liability partnership on 1 April 2004, *Horwath Clark Whitehill resigned and the directors appointed their successor, Horwath Clark Whitehill LLP, as auditors.*

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

SMALL COMPANY EXEMPTIONS

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

By Order of the Board


Secretary

RIDGEFORD PROPERTIES LIMITED
STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare accounts for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of the profit or loss for that period. In preparing those accounts the director is 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 accounts.
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the accounts comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF RIDGEFORD
PROPERTIES LIMITED**

We have audited the financial statements of Ridgeford Properties Limited for the year ended 31 March 2004 set out on pages 4 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 and of the financial statements in accordance with applicable law and United Kingdom 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 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.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in the accounts concerning the possible outcome of renegotiation of the company's term and revolving loans. The accounts have been prepared on a going concern basis, validity of which depends on future funding being available. The accounts do not contain any adjustments that would result from a failure to obtain funding. Details of the circumstances relating to the fundamental uncertainty are described in notes 12 and 21. Our opinion is not qualified in this respect.

Unqualified 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.

7 April 2005

Horwath Clark Whitehill
Horwath Clark Whitehill LLP
Chartered Accountants
and Registered Auditors

RIDGEFORD PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
TURNOVER	2	1,575,492	73,720
Cost of sales		<u>(5,490,893)</u>	<u>(465,412)</u>
GROSS LOSS		(3,915,401)	(391,692)
Administrative expenses		<u>(526,712)</u>	<u>(771,825)</u>
		(4,442,113)	(1,163,517)
Other income		<u>78,758</u>	<u>24,964</u>
OPERATING LOSS	3	(4,363,355)	(1,138,553)
Interest receivable		80,163	123,905
Interest payable		<u>(65,081)</u>	<u>(61,642)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,348,273)	(1,076,290)
Tax on profit on ordinary activities	4	<u>-</u>	<u>1,526</u>
LOSS FOR THE FINANCIAL YEAR	15	<u>(4,348,273)</u>	<u>(1,074,764)</u>

The profit and loss account contains all the gains and losses of the company recognised in the current and proceeding year and the result in these years represent the only movement in shareholders' funds.

The notes on pages 6 to 13 form part of these financial statements

RIDGEFORD PROPERTIES LIMITED
BALANCE SHEET
31 MARCH 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	7	32,374	47,072
Investments	8	102	5,952
		<u>32,476</u>	<u>53,024</u>
CURRENT ASSETS			
Stock and work in progress	9	16,959,755	17,595,314
Debtors	10	83,260	123,726
Cash at bank and in hand	11	2,098,459	2,794,572
		<u>19,141,474</u>	<u>20,513,612</u>
CREDITORS: amounts falling due within one year	12	<u>(19,691,059)</u>	<u>(18,292,016)</u>
NET CURRENT ASSETS		<u>(549,585)</u>	<u>2,221,596</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(517,109)</u>	<u>2,274,620</u>
CREDITORS: amounts falling due after one year	13	<u>(5,788,172)</u>	<u>(4,231,628)</u>
NET LIABILITIES		<u>(6,305,281)</u>	<u>(1,957,008)</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account	15	<u>(6,305,381)</u>	<u>(1,957,108)</u>
SHAREHOLDERS' FUNDS - All equity	16	<u>(6,305,281)</u>	<u>(1,957,008)</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Approved by the Board on
and signed on its behalf by:

7 April 2005

} Directors

The notes on pages 6 to 13 form part of these financial statements

[Signature]
Page 5

RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The directors have prepared these financial statements on a going concern basis. Refer to note 21 for further detail.

b) Investments

Investment properties are included in the balance sheet at their open market value.

c) Depreciation

Depreciation is provided on all tangible fixed assets in use, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Office equipment	- 25% p.a. straight line
Fixtures and fittings -	- 25% p.a. straight line
Motor vehicle	- 25% p.a. straight line

d) Foreign Currencies

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

e) Stock and Work in Progress

Development land and buildings are stated at the lower of cost, which includes interest, exchange gains and losses on a foreign currency loan and a proportion of administration expenses incurred on specific projects, and net realisable value.

f) Hire Purchase

Assets obtained under hire purchase contracts are capitalised as tangible fixed assets. Assets acquired by hire purchase are depreciated over their useful lives. Hire purchase leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

g) Pension Costs

The cost of providing retirement pensions and related benefits is charged to the Profit and Loss Account over the periods benefiting from the employees' services.

h) 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.

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 at the balance sheet date.

RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2004

1. ACCOUNTING POLICIES (continued)

i) Deep Discount Bonds

The premium on redemption of deep discount bonds is calculated and charged to the profit and loss account each year on the basis of the company's maximum liability should the bonds be redeemed at the balance sheet date. The bonds are categorised by year of falling due for redemption, in accordance with the earliest redemption dates available to the bondholders.

j) Exemption From Consolidation

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These accounts therefore represent information about the company as an individual undertaking and not about its group entities in which the group holds an interest on a long term basis and are jointly controlled by the company and one or more other ventures. In the accounts, joint ventures are accounted for using the gross equity method.

2. TURNOVER

Turnover represents the net amount invoiced to customers less trade discounts, excluding value added tax and sales of fixed assets. The turnover is wholly attributable to the company's main activity within the United Kingdom.

3. OPERATING LOSS

Operating loss is stated after charging:	2004	2003
	£	£
Depreciation	21,155	20,337
Auditors' remuneration	12,000	10,000
Write down of investment	5,850	-
Write down of development stock	<u>4,330,036</u>	<u>465,412</u>

4. TAX ON LOSS ON ORDINARY ACTIVITIES

Based on the loss for the year:

Corporation tax at 30%	-	-
Over provision from previous year	<u>-</u>	<u>(1,526)</u>
	<u>-</u>	<u>(1,526)</u>

There are approximately £6,500,000 (2003: £2,300,000) of tax losses which may be utilised against future trading profits.

RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2004

5. STAFF COSTS

	2004 £	2003 £
Staff costs, including director's remuneration, were as follows:		
Wages and salaries	297,407	336,885
Pension costs	6,367	19,548
Social security costs	-	41,608
	<u>303,774</u>	<u>398,041</u>

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

	No	No.
Administration	5	5

6. DIRECTOR'S REMUNERATION

	2004 £	2003 £
Aggregate emoluments	<u>114,486</u>	<u>172,571</u>

CT Murray was the only director who served during the year and the director's remuneration relates solely to him.

7. TANGIBLE FIXED ASSETS

	Office Equipment £	Fixtures and Fittings £	Motor Vehicle £	Total £
Cost				
At 1 April 2003	40,173	11,057	45,710	96,940
Additions	<u>3,791</u>	<u>2,666</u>	<u>-</u>	<u>6,457</u>
At 31 March 2004	<u>43,964</u>	<u>13,723</u>	<u>45,710</u>	<u>103,397</u>
Depreciation				
At 1 April 2003	29,030	5,559	15,279	49,868
Charge for the year	<u>7,686</u>	<u>2,041</u>	<u>11,428</u>	<u>21,155</u>
At 31 March 2004	<u>36,716</u>	<u>7,600</u>	<u>26,707</u>	<u>71,023</u>
Net book value				
At 31 March 2004	<u>7,248</u>	<u>6,123</u>	<u>19,003</u>	<u>32,374</u>
At 31 March 2003	<u>11,143</u>	<u>5,498</u>	<u>30,431</u>	<u>47,072</u>
Assets held under hire purchase agreement included above:				
Net book value:				
31 March 2004				<u>19,003</u>
Depreciation for the year				<u>11,899</u>

RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2004

8. INVESTMENTS	2004 £	2003 £
Shares in subsidiary undertakings	102	102
Race horse	-	5,850
	<u>102</u>	<u>5,952</u>

a) Investment in subsidiary undertaking

The investment in the subsidiary undertakings represents shares in the following wholly owned subsidiaries:

Ridgeford Properties Management Limited

The investment in Ridgeford Properties Management Limited, a company registered in England and Wales, comprises 2 ordinary shares of £1 each. The company is not listed and its main activity is that of property management.

The following information relates to Ridgeford Properties Management Limited:

	2004 £	2003 £
Aggregate amount of capital and reserves	184,824	87,395
Profit for the financial year	<u>49,482</u>	<u>21,563</u>

Ridgeford Properties (Tokenhouse Yard) Limited

A company registered in England and Wales, comprising 100 ordinary shares of £1. The company is not listed and was dormant during the year. The date of incorporation was 23 October 2001. The company acts as nominee for a joint venture and holds 50% of the issued share capital of Tokenhouse Yard Limited and Tokenhouse Yard (trustee no. two) Limited which act as corporate trustees in respect of the legal title to property. Ridgeford Properties (Tokenhouse Yard) Limited and its two associated companies do not trade in their own right but act as nominee and trustees respectively for Ridgeford Properties Limited.

The following information relates to Ridgeford Properties (Tokenhouse Yard) Limited at 31 March 2004:

	2004 £	2003 £
Aggregate amount of capital and reserves	100	100
Profit for the financial year	<u>-</u>	<u>-</u>

RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 MARCH 2004

9. STOCK AND WORK IN PROGRESS	2004 £	2003 £
Development land and buildings	<u>16,959,755</u>	<u>17,595,314</u>

Development land and buildings includes attributable interest, which amounts to £1,246,038 (2003: £939,498).

10. DEBTORS

Trade debtors	25,264	17,638
Other debtors	<u>57,966</u>	<u>106,088</u>
	<u>83,260</u>	<u>123,726</u>

11. CASH AT BANK AND IN HAND

Included within the cash balances are deposits of £2,017,066 (2003: £2,525,000) which are held by the company's bankers as additional security in respect of development loans.

12. CREDITORS – amounts falling due within one year

	2004 £	2003 £
Bank loans (secured on property)	4,860,774	5,217,509
Loan from group undertakings (unsecured)	1,205,271	1,169,301
Secured deep discount bond	5,514,752	4,939,140
Other loans (unsecured)	7,447,961	6,792,312
Trade creditors	440,124	128,176
Obligations under hire purchase agreements	7,264	6,446
Other taxes and social security costs	1,526	9,050
Amount owed to subsidiary	180,578	7,582
Accruals and deferred income	<u>32,809</u>	<u>22,500</u>
	<u>19,691,059</u>	<u>18,292,016</u>

RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2004

12. CREDITORS – amounts falling due within one year (Continued)

The bank loan of £4,860,774 is taken out with Royal Bank of Scotland and is payable within one year and bears an average interest rate of 6%. The loan is secured by way of a first charge over the Ironmonger Row freehold property.

The loan from group undertakings is with City Gate International Limited (Parent Company) and is payable on demand bearing an average interest rate of 7%. The loan is not secured.

The deep discount bond is taken out with Tess Investments Limited and bears an average interest rate of 6%. The redemption date for the deep discount bond was 1 June 2003 for the sum of £5,514,752. This amount was not repaid on the due date and negotiations are currently taking place to extend the terms of the bonds. The bond is secured by way of a second charge over the Ironmonger Row freehold property.

Other loans of £7,447,961 are comprised of the following:

Tess Investments - £4,315,419 (Promissory Notes) payable on demand and bearing an interest rate of approximately 6%. The promissory notes are not secured.

Tess Investments - £1,077,482 (working capital loan) payable on demand and bearing an interest rate of approximately 6%. The loan is not secured.

Sakto Corporation - £2,055,060 payable on demand and bearing an interest rate of approximately 6%. The loan is not secured.

	2004 £	2003 £
13. CREDITORS: amounts falling due after one year		
Bank loans (secured on property and cash deposits)	5,775,000	4,211,194
Obligations under hire purchase agreements	<u>13,172</u>	<u>20,434</u>
	<u>5,788,172</u>	<u>4,231,628</u>

The bank loan of £5,775,000 is taken out with KBC Bank NV and is payable within one year to two years and bears an average interest rate of 5%. The loan is secured by way of a first charge over the Tokenhouse Yard freehold property and cash deposits of £2,000,000.

The obligations under hire purchase agreements repayable between one and two years amount to £8,081. Those falling due after more than two years amount to £5,091, of which £Nil is repayable after more than five years.

14. CALLED UP SHARE CAPITAL

Authorised

100 Ordinary shares of £1 each

<u>100</u>	<u>100</u>
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Allotted, called up and fully paid

100 Ordinary shares of £1 each

<u>100</u>	<u>100</u>
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RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2004

15. PROFIT AND LOSS ACCOUNT

	£
At 1 April 2003	(1,957,108)
Loss for the year	<u>(4,348,273)</u>
At 31 March 2004	<u>(6,305,381)</u>

16. SHAREHOLDERS FUNDS

At 1 April 2003	(1,957,008)
Loss for the year	<u>(4,348,273)</u>
At 31 March 2004	<u>(6,305,281)</u>

17. RELATED PARTY TRANSACTIONS

During the year the group entered into transactions, in the ordinary course of business, with other related parties as follows:

Ridgeford Properties Management Limited (wholly owned subsidiary)

The company incurred costs of £180,578 which were recharged to Ridgeford Properties Management Limited. At the year end that company owed Ridgeford Properties Limited £180,578 (2003: £7,582).

Ridgeford Properties (Tokenhouse Yard) Limited (nominee, wholly owned subsidiary)

Ridgeford Properties (Tokenhouse Yard) Limited incurred costs as nominee for Ridgeford Properties Limited of £8,166,324 (2003: £5,695,558).

City Gate International Limited (parent company)

Loans from that company including interest thereon were outstanding at the year end in the sum of £1,205,271 (2003: £1,169,301).

18. PENSIONS ARRANGEMENT

The company makes contributions to a group personal pension plan for the benefit of employees. Contributions are fixed at 10% of gross salary and the assets of the scheme are held separate to those of the company. Contributions to the scheme by the company for the year ended 31 March 2004 totalled £6,367 and employees contributed £Nil.

19. ULTIMATE PARENT COMPANY

Ridgeford Properties Limited is a wholly owned subsidiary of City Gate International Limited a company incorporated in Canada.

RIDGEFORD PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 MARCH 2004

20. CONTINGENT LIABILITIES

The company is party to a guarantee for the bank borrowings of a venture in which it is engaged. Should the other parties to the guarantee be unable to satisfy their amount owing to the bank then Ridgeford Properties Limited would be exposed at 31 March 2004 to a further £5,775,000 of bank borrowings, which are not included within these accounts.

21. GOING CONCERN AND DEVELOPMENT FUNDING

The company has a deficiency of assets and relies significantly on short term revolving loans or term loans expiring at the end of the development period to fund its development.

The company therefore has to frequently renegotiate its loan facilities or extend them if the construction or sale of the development project is delayed. The company is confident that it can continue to renegotiate its development loans so that it can successfully complete all its current development projects. However until such loans are renegotiated there can be no certainty of this fact. The Directors are satisfied that the company can trade profitably in the future and thus the deficiency in shareholders' funds will be extinguished.

RIDGEFORD PROPERTIES LIMITED
DETAILED TRADING PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2004

For the information of the Director only

	£	2004 £	2003 £
TURNOVER			
Sale of property	1,455,000		-
Project and property management fees	5,200		800
Rental income	<u>115,292</u>		<u>72,920</u>
		1,575,492	73,720
Cost of sale of property and revaluation write-down		<u>(5,490,893)</u>	<u>(465,412)</u>
GROSS LOSS		(3,915,401)	(391,692)
OTHER INCOME			
Sundry income		<u>78,758</u>	<u>24,964</u>
		(3,836,643)	(366,728)
ADMINISTRATIVE EXPENSES (see page 15)		<u>(526,712)</u>	<u>(771,825)</u>
OPERATING LOSS		(4,363,355)	(1,138,553)
Interest receivable	80,163		123,905
Interest payable	<u>(65,081)</u>		<u>(61,642)</u>
		<u>15,082</u>	<u>(62,263)</u>
LOSS FOR THE FINANCIAL YEAR BEFORE TAXATION		(4,348,273)	(1,076,290)
TAX ON LOSS ON ORDINARY ACTIVITIES		<u>-</u>	<u>1,526</u>
LOSS FOR THE FINANCIAL YEAR		<u>(4,348,273)</u>	<u>(1,074,764)</u>