

**ADDERSTONE PROPERTIES LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2004**



**Company Registration Number 04029395**

**Tenon**  
Accountants & Business Advisers  
Tenon House  
Ferryboat Lane  
Sunderland  
SR5 3JN

**ADDERSTONE PROPERTIES LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 JULY 2004**

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<b>CONTENTS</b>	<b>PAGES</b>
Officers and professional advisers	1
The directors' report	2 to 3
Independent auditors' report to the members	4 to 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 to 12
<b>The following pages do not form part of the statutory financial statements</b>	
Detailed profit and loss account	14
Notes to the detailed profit and loss account	15

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**ADDERSTONE PROPERTIES LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 JULY 2004**

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<b>The board of directors</b>	I R Baggett BSc (Hons) PhD J Griffiths BA (Hons) ACA
<b>Company secretary</b>	J Griffiths BA (Hons) ACA
<b>Registered office</b>	Audley Mews Row's Terrace South Gosforth Newcastle Upon Tyne NE3 1QE
<b>Auditors</b>	Blueprint Audit Limited Tenon House Ferryboat Lane Sunderland SR5 3JN
<b>Accountants</b>	Tenon Accountants & Business Advisers Tenon House Ferryboat Lane Sunderland SR5 3JN
<b>Bankers</b>	Allied Irish Bank (GB) 9-17 Collingwood Street Newcastle upon Tyne NE1 1HE

# ADDERSTONE PROPERTIES LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 JULY 2004

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The directors present their report and the financial statements of the company for the year ended 31 July 2004.

### Principal activities

The principal activity of the company during the year was that of a property investor.

### The directors and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 July 2004	At 1 August 2003 or later date of appointment
I R Baggett BSc (Hons) PhD	51	51
J Griffiths BA (Hons) ACA	—	—
M Little	—	—

M Little was appointed as a director on 26 July 2004.

M Little resigned as a director on 20 August 2004.

### 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 at the end of the year and of the profit or loss for the year then ended. 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
- 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. The directors 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

A resolution to re-appoint Blueprint Audit Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

**ADDERSTONE PROPERTIES LIMITED**

**THE DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 31 JULY 2004**

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**Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed on behalf of the directors

I Baggett BSc (Hons) PhD

Director



Approved by the directors on 21 January 2005

**ADDERSTONE PROPERTIES LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**ADDERSTONE PROPERTIES LIMITED**  
**YEAR ENDED 31 JULY 2004**

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We have audited the financial statements of Adderstone Properties Limited for the year ended 31 July 2004 on pages 6 to 12 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on pages 8 to 9.

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 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 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 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.

**ADDERSTONE PROPERTIES LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**  
**ADDERSTONE PROPERTIES LIMITED** *(continued)*  
**YEAR ENDED 31 JULY 2004**

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**Opinion**

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

*Blueprint Audit Limited*

Blueprint Audit Limited  
Registered Auditor

Tenon House  
Ferryboat Lane  
Sunderland  
SR5 3JN

24 January 2005

# **ADDERSTONE PROPERTIES LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 31 JULY 2004**

	<b>Note</b>	<b>2004 £</b>	<b>2003 £</b>
<b>Turnover</b>		176,022	80,353
Cost of sales		(70,049)	(32,018)
<b>Gross profit</b>		105,973	48,335
Administrative expenses		(9,721)	(2,727)
<b>Operating profit</b>	2	96,252	45,608
Profit/(loss) on disposal of fixed assets		37,801	(18,478)
		134,053	27,130
Interest receivable		-	294
Interest payable and similar charges		(45)	-
<b>Profit on ordinary activities before taxation</b>		134,008	27,424
Tax on profit on ordinary activities	3	(30,958)	(11,600)
<b>Retained profit for the financial year</b>		103,050	15,824

The notes on pages 8 to 12 form part of these financial statements.



# ADDERSTONE PROPERTIES LIMITED

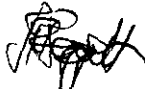
## BALANCE SHEET

31 JULY 2004

	Note	2004 £	£	2003 £	£
<b>Fixed assets</b>					
Tangible assets	4		9,322,212		2,421,235
Investments	5		1		1
			<u>9,322,213</u>		<u>2,421,236</u>
<b>Current assets</b>					
Debtors	6	5,395		3,490	
Cash at bank		<u>1,957</u>		<u>971</u>	
		7,352		4,461	
<b>Creditors: Amounts falling due within one year</b>	7	<u>(2,843,255)</u>		<u>(32,197)</u>	
<b>Net current liabilities</b>			(2,835,903)		(27,736)
<b>Total assets less current liabilities</b>			<u>6,486,310</u>		<u>2,393,500</u>
<b>Creditors: Amounts falling due after more than one year</b>	8		(6,389,661)		(2,399,901)
			<u>96,649</u>		<u>(6,401)</u>
<b>Capital and reserves</b>					
Called-up share capital	10		100		100
Profit and loss account	11		96,549		(6,501)
<b>Shareholders' funds</b>			<u>96,649</u>		<u>(6,401)</u>

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

These financial statements were approved by the directors on the 21 January 2005 and are signed on their behalf by:



I R Baggett BSc (Hons) PhD  
Director

The notes on pages 8 to 12 form part of these financial statements.

**ADDERSTONE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2004**

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**1. Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

**Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

**Turnover**

Turnover comprises gross rental income (excluding Value Added Tax). Rental income is accounted for on an accruals basis under the terms of ongoing leases and contracts.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Fixtures & Fittings                      -    25% per annum

**Investment properties**

Investment properties are revalued by a director on an annual basis and by a qualified independent chartered surveyor on an Open Market Value basis at intervals not exceeding three years. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Depreciation is not provided in respect of freehold investment properties or leasehold investment properties where the unexpired term of the lease is more than 20 years.

The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP19. The financial effect of the departure from the statutory accounting rules cannot be reasonably be quantified.

Purchase and sales of investment properties, calculated by comparing net sales proceeds with book values, are recognised in the profit and loss account upon exchange of contracts and when the contracts are wholly unconditional.

**ADDERSTONE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2004**

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**1. Accounting policies** *(continued)*

**Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

**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 that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

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

**2. Operating profit**

Operating profit is stated after charging:

	<b>2004</b>	<i>2003</i>
	<b>£</b>	<i>£</i>
Directors' emoluments	3,471	—
Depreciation of owned fixed assets	54,375	19,260
Auditors' fees	1,250	850
	<u>          </u>	<u>          </u>

**3. Taxation on ordinary activities**

	<b>2004</b>	<i>2003</i>
	<b>£</b>	<i>£</i>
UK Corporation tax	<u>30,958</u>	<u>11,600</u>

**ADDERSTONE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2004**

**4. Tangible fixed assets**

	Investment properties £	Fixtures & Fittings £	Total £
<b>Cost</b>			
At 1 August 2003	2,363,455	77,040	2,440,495
Additions	7,630,000	162,135	7,792,135
Disposals	(818,015)	(21,679)	(839,694)
At 31 July 2004	<u>9,175,440</u>	<u>217,496</u>	<u>9,392,936</u>
<b>Depreciation</b>			
At 1 August 2003	-	19,260	19,260
Charge for the year	-	54,375	54,375
On disposals	-	(2,911)	(2,911)
At 31 July 2004	<u>-</u>	<u>70,724</u>	<u>70,724</u>
<b>Net book value</b>			
At 31 July 2004	<u>9,175,440</u>	<u>146,772</u>	<u>9,322,212</u>
At 31 July 2003	<u>2,363,455</u>	<u>57,780</u>	<u>2,421,235</u>

**5. Investments**

**Shares in subsidiary**

	£
<b>Cost</b>	
At 1 August 2003 and 31 July 2004	<u>1</u>
<b>Net book value</b>	
At 31 July 2004	<u>1</u>
At 31 July 2003	<u>1</u>

The company owns 100% of the issued share capital of the following company

	2004 £	2003 £
<b>Aggregate capital and reserves</b>		
Adderstone Construction Limited	<u>5,751,111</u>	<u>2,638,381</u>
<b>Profit and (loss) for the year</b>		
Adderstone Construction Limited	<u>(78,704)</u>	<u>(76,007)</u>

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

**ADDERSTONE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2004**

**6. Debtors**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade debtors	4,365	1,433
Other debtors	1,030	2,057
	<u>5,395</u>	<u>3,490</u>

**7. Creditors: Amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade creditors	2,019	1,247
Amounts owed to group undertakings	2,750,644	17,000
Corporation tax	30,938	11,600
Other taxation and social security	154	—
Other creditors	59,500	2,350
	<u>2,843,255</u>	<u>32,197</u>

An unlimited inter company cross guarantee exists between Adderstone Properties Limited and Adderstone Construction Limited and between Adderstone Properties Limited, Adderstone Construction Limited and Adderstone Properties Trading Limited.

**8. Creditors: Amounts falling due after more than one year**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<u>6,389,661</u>	<u>2,399,901</u>

**9. Related party transactions**

The company was under the control of Mr I R Baggett throughout the current and previous year. Mr I R Baggett is the majority shareholder.

During the year, the company paid management fees of £Nil (2003 £2,180) to Adderstone Management Limited. I R Baggett owns 100% of the issued share capital of Adderstone Management Limited. At the balance sheet date the company owed Adderstone Management Limited £Nil (2003 £Nil).

The company also purchased for £7,792,135 two investment properties from Adderstone Construction Limited. Adderstone Properties owns 100% of the issued share capital of Adderstone Construction Limited. At the balance sheet date the company owed Adderstone Construction Limited £9,140,305 (2003 £2,416,901). This amount is unsecured and £2,750,644 is due to be repaid within one year.

At the balance sheet date the company owed Adderstone Properties Trading Limited £15,000 (2003 £Nil). I R Baggett is the majority shareholder of Adderstone Properties Trading Limited. This amount is unsecured and there are no fixed repayment terms.

**ADDERSTONE PROPERTIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 JULY 2004**

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**10. Share capital**

**Authorised share capital:**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

**Allotted, called up and fully paid:**

	<b>2004</b>		<b>2003</b>
	<b>No</b>	<b>£</b>	<b>No</b>
	<b>100</b>	<b>100</b>	<b>100</b>
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>

**11. Profit and loss account**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Balance brought forward	(6,501)	(22,325)
Retained profit for the financial year	<u>103,050</u>	<u>15,824</u>
Balance carried forward	<u>96,549</u>	<u>(6,501)</u>

**ADDERSTONE PROPERTIES LIMITED**

**MANAGEMENT INFORMATION**

**YEAR ENDED 31 JULY 2004**

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*The following pages do not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 4 to 5.*

**ADDERSTONE PROPERTIES LIMITED**  
**DETAILED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 JULY 2004**

	2004		2003
	£	£	£
<b>Turnover</b>		176,022	80,353
<b>Cost of sales</b>			
Management fees	—		2,180
Advertising	—		651
Utilities	630		967
Repairs and servicing	5,569		5,186
Legal and professional	—		1,626
Insurance	901		2,148
Cleaning	270		—
Service Charges	8,304		—
Depreciation of fixtures and fittings	54,375		19,260
		(70,049)	(32,018)
<b>Gross profit</b>		105,973	48,335
<b>Overheads</b>			
Administrative expenses		9,721	2,727
<b>Operating profit</b>		96,252	45,608
Profit/(loss) on disposal of fixed assets		37,801	(18,478)
		134,053	27,130
Bank interest receivable		—	294
		134,053	27,424
Bank interest payable		(45)	—
<b>Profit on ordinary activities</b>		134,008	27,424



**ADDERSTONE PROPERTIES LIMITED**  
**NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 JULY 2004**

	2004		2003	
	£	£	£	£
<b>Administrative expenses</b>				
<b>Personnel costs</b>				
Directors salaries		3,471		—
<b>Establishment expenses</b>				
Insurance		482		482
<b>General expenses</b>				
Sundry expenses	—		21	
Legal and professional fees	3,203		15	
Accountancy fees	<u>2,149</u>		<u>1,231</u>	
		5,352		1,267
<b>Financial costs</b>				
Bank charges		416		978
		<u>9,721</u>		<u>2,727</u>
<b>Interest receivable</b>				
Bank interest receivable		—		<u>294</u>