

**DALTON AIRFIELD PROPERTIES
LIMITED**

Report and Financial Statements

Year ended 31 December 2004

**Deloitte & Touche LLP
Leeds**



DALTON AIRFIELD PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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DALTON AIRFIELD PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P M Levine
P J Davison

SECRETARY

P J Davison

REGISTERED OFFICE

Dalton Airfield Industrial Estate
Dalton
Thirsk
North Yorkshire
YO7 3JN

BANKERS

Bank of Scotland
116 Wellington Street
Leeds
LS1 4LT

SOLICITORS

Irwin Mitchell
21 Queen Street
Leeds
LS1 2TW

AUDITORS

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Leeds

DALTON AIRFIELD PROPERTIES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

ACTIVITIES

The principal activity of the company is the holding of investment properties.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are set out on page 5. On 1 January 2004, the investment property was transferred to Dalton Airfield Estate Ltd, the ultimate parent company of Dalton Airfield Properties Ltd, for a total consideration of £14,000,000. Accordingly from this time the company ceased trading.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend. A retained profit of £10,435 (2003: £920,009) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors of the company who held office during the year are as noted below:

P M Levine

P J Davison

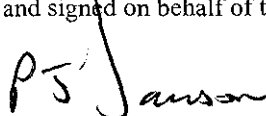
B Walker (resigned 2nd January 2004)

None of the directors had any interest in the share capital of the company during the year. The interests of P M Levine and P J Davison in the shares of the parent company, Dalton Airfield Estate Limited, are shown in the financial statements of that company.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



P J Davison

Director

31 October 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period 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;
- ◆ state whether applicable accounting standards have been followed; 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 DALTON AIRFIELD PROPERTIES LIMITED

We have audited the financial statements of Dalton Airfield Properties Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 15. 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 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 United Kingdom legal and regulatory requirements and 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 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

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.

Deloitte + Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Leeds

31 October 2005

DALTON AIRFIELD PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER – discontinued operations	2	-	1,326,354
Cost of sales		-	-
GROSS PROFIT		-	1,326,354
Administrative expenses		-	(1,662)
OPERATING PROFIT – discontinued operations	3	-	1,324,692
Interest receivable	4	-	2,317
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	1,327,009
Tax on profit on ordinary activities	5	10,435	(407,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	11	10,435	920,009

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses is given.

DALTON AIRFIELD PROPERTIES LIMITED

BALANCE SHEET

31 December 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investment properties	6	-	14,000,000
CURRENT ASSETS			
Debtors	7	16,640,252	3,598,342
Cash at bank and in hand		8,940	5,515
		16,649,192	3,603,857
CREDITORS: amounts falling due within one year	8	(31,167)	(492,267)
NET CURRENT ASSETS		16,618,025	3,111,590
TOTAL ASSETS LESS CURRENT LIABILITIES		16,618,025	17,111,590
PROVISIONS FOR LIABILITIES AND CHARGES	9	-	(504,000)
		16,618,025	16,607,590
CAPITAL AND RESERVES			
Called up share capital	10	14,000,001	14,000,001
Profit and loss account	11	2,618,024	2,607,589
TOTAL EQUITY SHAREHOLDERS' FUNDS		16,618,025	16,607,590

These financial statements were approved by the Board of Directors on 31 October 2005

Signed on behalf of the Board of Directors



P J Davison
Director

DALTON AIRFIELD PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost convention. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Cashflow statement

The company has taken advantage of the exemption granted to small companies under Financial Reporting Standard No. 1 not to disclose a cashflow statement.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services, which fall within the company's ordinary activities, exclusive of Value Added Tax. The turnover and pre-tax profit, all of which arise in the United Kingdom, are attributable to the principal activities of the company.

3. OPERATING PROFIT

	2004	2003
	£	£
Operating profit is stated after charging :		
Auditors' remuneration		
- audit services	-	1,000
- other services	-	1,000
	<u> </u>	<u> </u>

The directors received no remuneration during the year and the company has no employees other than the directors. In 2004 the audit fees were borne by the company's ultimate parent company Dalton Airfield Estate Limited.

4. INTEREST RECEIVABLE

	2004	2003
	£	£
Bank interest receivable	-	2,317
	<u> </u>	<u> </u>

DALTON AIRFIELD PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
The tax (credit)/charge comprises:		
Current tax		
UK Corporation tax charge at 30% (2003: 30%) based on profit for the year	-	13,000
Adjustment in respect of prior years	(1,888)	-
Group relief payable	-	201,000
Adjustment in respect of prior years	453	-
Total current tax	<u>(1,435)</u>	<u>214,000</u>
Deferred tax		
Current year charge	-	176,000
Adjustment to prior years' provision	(9,000)	17,000
Total deferred tax	<u>(9,000)</u>	<u>193,000</u>
Total tax on profit on ordinary activities	<u>(10,435)</u>	<u>407,000</u>

Factors affecting tax credit for the current period:

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	-	1,327,009
Tax at 30% thereon	-	398,103
Effects of:		
Capital allowances in excess of depreciation	-	(176,000)
Small companies relief	-	(7,563)
Other adjustments	-	(540)
Adjustments in respect of prior years	(1,435)	-
Current corporation tax (credit)/charge for the period	<u>(1,435)</u>	<u>214,000</u>

DALTON AIRFIELD PROPERTIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2004

6. INVESTMENT PROPERTIES

	2004 £	2003 £
Investment properties	-	14,000,000

On 1 January 2004, the investment property was transferred to Dalton Airfield Estate Ltd, the ultimate parent company of Dalton Airfield Properties Ltd, for a total consideration of £14,000,000.

7. DEBTORS

	2004 £	2003 £
Amounts owed by ultimate parent company	16,638,299	3,598,062
Other debtors	1,953	280
	<u>16,640,252</u>	<u>3,598,342</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Other creditors	31,167	31,167
Accruals and deferred income	-	247,100
Corporation tax payable	-	13,000
Group relief payable	-	201,000
	<u>31,167</u>	<u>492,267</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
Deferred taxation movement for the year	
Balance at 1 January 2004	504,000
Adjustment in respect of prior years	(9,000)
Transfer to group company	(495,000)
Balance at 31 December 2004	-

Deferred tax is made up as follows:

	2004 £	2003 £
Capital allowances in excess of depreciation	-	504,000

10. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised		
14,001,000 ordinary shares of £1 each	<u>14,001,000</u>	<u>14,001,000</u>
Called up, allotted and fully paid		
14,000,001 ordinary shares of £1 each	<u>14,000,001</u>	<u>14,000,001</u>

DALTON AIRFIELD PROPERTIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

11. RESERVES

	Profit and loss account reserve £
At 1 January 2004	2,607,589
Retained profit for the financial period	10,435
At 31 December 2004	<u>2,618,024</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial period	10,435	920,009
Net addition to shareholders' funds	10,435	920,009
Opening shareholders' funds	16,607,590	15,687,581
Closing shareholders' funds	<u>16,618,025</u>	<u>16,607,590</u>

13. RELATED PARTY TRANSACTIONS

The company entered into transactions with the following parties which are related parties as defined by Financial Reporting Standard No. 8:

- (i) Rent of £nil (2003: £1,326,324) was charged in the period to Severfield-Reeve Structures Limited. P J Davison is a director of Severfield-Reeve Structures Limited. As at 31 December 2004 a balance of £29,167 (2003: £29,167) was due to Severfield-Reeve Structures Limited.

All of these transactions were carried out on an arms' length basis.

The company has taken advantage of the exemptions granted in paragraph 3(c) of Financial Reporting Standard No. 8 not to disclose certain related party transactions with other group companies. In 2004 the cost of the annual return fee was borne by the company's ultimate parent company Dalton Airfield Estate Limited without any right of reimbursement.

14. CONTINGENT LIABILITIES

The Bank of Scotland holds a cross guarantee and charge over the assets of the company as part of the loan agreement of £10,058,574 (2003: £10,723,733) with the company's ultimate parent company Dalton Airfield Estate Limited.

15. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company and ultimate controlling company is Dalton Airfield Estate Limited, a company incorporated in Great Britain. The parent company is exempt from the obligation to prepare and deliver group accounts under section 248 of the Companies Act 1985.