

FERNBROOK MORRISON LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
COMPANY NO: 04235547



FERNBROOK MORRISON LIMITED

DIRECTORS	Alan Cherry Shaun Cherry Lesley Wallace
SECRETARIES	David Turner Geoffrey Shepheard
AUDITORS	KPMG LLP Saltire Court 20 Castle Terrace EDINBURGH EH1 2EG
BANKERS	Yorkshire Bank The Chancery Spring Gardens Manchester M2 1YB
SOLICITORS	Cobbetts Ship Canal House King Street Manchester M2 4WB
REGISTERED OFFICE	Anglian House Ambury Road Huntingdon Cambridgeshire PE29 3NZ

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**FERNBROOK MORRISON LIMITED
REPORT OF THE DIRECTORS**

YEAR ENDED 31 DECEMBER 2004

- 1 The directors submit their report and audited financial statements for the year ended 31 December 2004. The contents of this report and the format of the financial statements have been prepared to comply with the provisions of the Companies Act 1985.

2 **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company was that of house construction. The directors intend to continue with this activity in the forthcoming year.

3 **RESULTS AND DIVIDEND**

The result for the year was nil. No dividend was paid or proposed within the year.

4 **DIRECTORS AND THEIR INTERESTS**

The directors who held office during the year were:

Alastair Blyth	(resigned 02.08.04)
Alan Cherry	
Shaun Cherry	
Lesley Wallace	
AWG Property Director Limited	(appointed 25.01.05)

In accordance with the Company's Articles of Association, none of the directors are required to retire. None of the directors who held office at the end of the year had any interest in the shares of the company.

5 **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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**FERNBROOK MORRISON LIMITED
REPORT OF THE DIRECTORS
YEAR ENDED 31 DECEMBER 2004 CONTINUED**

6 AUDITORS

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By Order of the Board

Lesley Wallace
Director

15 July 2005

Registered No. 04235547

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FERNBROOK MORRISON LIMITED

We have audited the financial statements on pages 4 to 8.

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

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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 result for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Edinburgh

28 July 2005

FERNBROOK MORRISON LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover		644,926	2,645,008
Cost of Sales		(644,926)	(2,645,008)
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>-</u>	<u>-</u>
Taxation	3	-	-
RESULT FOR THE FINANCIAL YEAR	8	<u><u>-</u></u>	<u><u>-</u></u>

Other than the result for the year and the preceding year the company has no other recognised gains or losses.

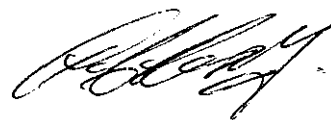
FERNBROOK MORRISON LIMITED
BALANCE SHEET
As at 31 December 2004

	Notes	2004 £	2003 £
Current assets			
Stock	4	-	494,608
Debtors	5	100	4,583
Cash at Bank		285,842	179,863
		<u>285,942</u>	<u>679,054</u>
Creditors: amounts falling due within one year	6	(285,842)	(678,954)
Net Current Assets		<u>100</u>	<u>100</u>
Creditors: amounts falling due after more than one year		-	-
Total Net Assets		<u>100</u>	<u>100</u>
Capital and Reserves			
Called up share capital – ordinary	7	100	100
Equity Shareholders' Funds	8	<u>100</u>	<u>100</u>

The notes on pages 6 to 8 form part of these financial statements.

The financial statements were approved by the Board of Directors on 13 July 2005 and were signed on its behalf by:

LESLEY WALLACE
DIRECTOR



ALAN CHERRY
DIRECTOR

FERNBROOK MORRISON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

(a) BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirement of Financial Reporting Standard (FRS) 1 (revised 1996) to prepare a cash flow statement as it is a small company by definition.

(b) STOCKS

Property Developments are valued at the lower of cost and net realisable value. Cost comprises direct expenditure and production overheads incurred in the normal course of the business less applicable payments on account. Net realisable value is the estimated selling price less all costs to be incurred. Provision is made for the foreseeable losses on contracts.

(c) TURNOVER

Turnover represents the value of property development activities, for properties where legal contracts have been completed during the year, wholly within the UK excluding value added tax.

(d) ACCOUNTING FOR PROFITS

No profit is included in the financial statements in connection with property sales unless a legally binding contract for sale of the development has been entered into and completion has taken place before or shortly after the year end.

(e) DEFERRED TAXATION

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 AUDITORS' REMUNERATION

	2004 £	2003 £
Auditors' remuneration for the year	<u>750</u>	<u>750</u>

3 TAXATION

	2004 £	2003 £
Corporation tax	<u>-</u>	<u>-</u>

The current tax charge for the year is the same as (2003: the same as) the standard rate of corporation tax in the UK (30%, 2003: 30%).

FERNBROOK MORRISON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004 - CONTINUED

4 STOCK

	2004 £	2003 £
Development work in progress	-	494,608

Work in progress includes interest amounting to £NIL (2003: £123,536).
Auditors remuneration of £NIL (2003: £2,250) has been capitalised into work in progress.

5 DEBTORS

	2004 £	2003 £
Other Debtors	-	4,483
Amounts due from shareholders	100	100
	<u>100</u>	<u>4,583</u>

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Accruals	285,842	678,954
	<u>285,842</u>	<u>678,954</u>

7 SHARE CAPITAL

	2004 £	2003 £
Authorised		
'A' Ordinary shares of £1 each	500	500
'B' Ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
 Allotted, Called Up and Unpaid		
'A' Ordinary shares of £1 each	50	50
'B' Ordinary shares of £1 each	50	50
	<u>100</u>	<u>100</u>

Both "A" and "B" shares have the same voting rights and rank pari passu as set out in the Memorandum and Articles of Association of the company.

FERNBROOK MORRISON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004 – CONTINUED

8 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Opening shareholders' funds	100	100
Result for the year	-	-
Closing shareholders' funds	<u>100</u>	<u>100</u>

9 RELATED PARTY TRANSACTIONS

Fernbrook Builders Ltd and AWG Residential Investments Ltd jointly control the company, and both own 50% of the share capital. AWG Residential Ltd own AWG Residential Investments Limited.

During the year, the company incurred development costs of £357,761 (2003 £1,054,773) which were paid to Fernbrook Builders Ltd, and £200,000 (2003 £49,234) which were paid to AWG Residential Ltd.

Development costs of £154,300 (2003 £363,841) for Fernbrook Builders Ltd, and £128,300 (2003 £301,803) for AWG Residential Ltd are outstanding as at 31 December 2004.