

ASHCROSS SERVICES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2003

COMPANY NUMBER: 4361818



ASHCROSS SERVICES LIMITED
YEAR ENDED 31 DECEMBER 2003
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ASHCROSS SERVICES LIMITED
YEAR ENDED 31 DECEMBER 2003
REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 31 December 2003.

Principal Activities

The principal activity of the Company is the property development for investment.

Review of the business and future developments

On 1 March 2002 the Company acquired land at a cost of £1,800,000 net of value added tax and began developing this site. An agreement for lease was entered into on 20 December 2002 in respect of the dealership being constructed on this site.

The Company's profit for the financial year is £109,000 (2002 loss: £1,000). No dividend is proposed for the financial year (2002: £Nil).

The Company has conducted its activities throughout the year in a satisfactory manner. No significant change in the Company's activities is foreseen at the present time.

Directors

The Directors of the Company during the year to 31 December 2003 were: -

| | |
|----------------|----------------------|
| K. C. McCabe | |
| D. Martin | |
| T. Costello | |
| W. Reynolds | (Alternate Director) |
| J. L. Burnley | (Alternate Director) |
| A. R. Christie | (Alternate Director) |

D. Martin owns 20 'C' Ordinary shares in Chester Meadow Holdings Limited.

K. C. McCabe owns a controlling share of Scarborough Property Group Plc. Scarborough Property Group PLC owns 40 'B' Ordinary shares in Chester Meadow Holding Limited.

Ashcross Services Limited is 100% owned by Chester Meadow Limited, which itself is 100% owned by Chester Meadow Holding Limited.

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

REPORT OF THE DIRECTORS (continued)

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. The auditor, KPMG Audit Plc, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which the copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

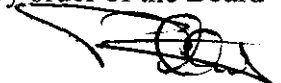
Statement of directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

By order of the Board



**P. Gittins
Secretary**

Bridge House
Queens Park Road
Handbridge
CHESTER
CH88 3AN

26 APRIL 2004

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHCROSS SERVICES LIMITED

We have audited the financial statements on pages 4 to 10.

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 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 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 2, 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc
Chartered Accountants
Registered Auditor**

10 May 2004

**St James Square
Manchester
M2 6DS**

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

PROFIT AND LOSS ACCOUNT

| | | | 28 January 2002 to 31 December 2002 |
|---|-------|--------------|--|
| | Notes | 2003 | |
| Continuing Operations | | £'000 | £'000 |
| Turnover | 2 | 277 | - |
| Finance and trading costs | | (137) | - |
| Gross profit | | <u>140</u> | <u>-</u> |
| Administrative expenses | | <u>(5)</u> | <u>(1)</u> |
| Profit / (loss) on ordinary activities before taxation | 3 | 135 | (1) |
| Tax on profit / (loss) on ordinary activities | 5 | <u>(26)</u> | <u>-</u> |
| Retained profit / (loss) for the financial year | | 109 | (1) |
| Balance brought forward | | (1) | - |
| Balance carried forward | 11 | <u>108</u> | <u>(1)</u> |

There are no recognised gains and losses other than those shown above.

The notes on pages 6 to 10 form part of the financial statements.

ASHCROSS SERVICES LIMITED

AS AT 31 DECEMBER 2003

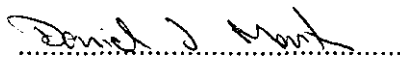
BALANCE SHEET

| | Notes | 2003 | 2002 |
|--|-------|-------------------|-------------------|
| | | £'000 | £'000 |
| Fixed assets | | | |
| Tangible fixed assets | 6 | - | 2,629 |
| Investment Properties | 7 | 3,964 | - |
| Current assets | | | |
| Debtors : receivable within one year | 8 | 94 | 37 |
| Creditors: payable within one year | 9 | <u>(3,950)</u> | <u>(2,667)</u> |
| Net current liabilities | | (3,856) | (2,630) |
| Total assets less current liabilities | | <u>108</u> | <u>(1)</u> |
| Called up share capital | 10 | - | - |
| Profit and loss account | | <u>108</u> | <u>(1)</u> |
| Shareholders' funds | 11 | <u>108</u> | <u>(1)</u> |

The notes on pages 6 to 10 form part of the financial statements.

Approved by the Board of Directors on 23 APRIL 2004 and signed on its behalf by

.....
T. Costello
Director


.....
D. Martin
Director

.....
K. C. McCabe
Director

ASHCROSS SERVICES LIMITED

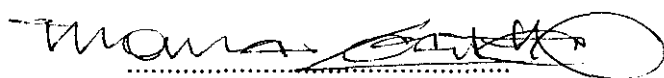
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ASHCROSS SERVICES LIMITED

AS AT 31 DECEMBER 2003

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K. C. McCabe
Director

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards, S226 of, and schedule 4 to, the Companies Act 1985.

The joint venture parties have indicated their intention to continue to provide sufficient finance to the group to enable it to continue trading for at least one year from the date of approval of these accounts.

Cash flow Statement

The Company is exempt from preparing a cash flow statement as it is a member of a small group that is exempt from preparing consolidated financial statements under section 248 of the Companies Act.

Capitalisation of finance costs

Finance costs incurred during the year that are directly attributable to the construction of the tangible fixed asset have been capitalised as part of that asset.

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost, and whilst under construction no depreciation is charged.

Investment Properties

Upon completion of the assets under construction, these assets are transferred from Tangible Fixed Assets and are accounted for under SSAP 19 as investment properties.

Deferred taxation

Deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that they are considered recoverable.

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on leasing agreements and income from associated services.

The turnover and pre-tax result are attributable to one continuing activity, the provision of finance and associated services.

3. Profit / (Loss) on ordinary activities before taxation

| | 28 January 2002 to 31 December 2003 £'000 | 2002 £'000 |
|--|---|---------------|
| Profit/(loss) on ordinary activities before taxation is stated after charging: | | |
| Auditor's remuneration: | | |
| Audit | 2 | 1 |

The Company has no employees. It uses the services of one of its joint venture partners for which a management charge, included in administrative expenses of its ultimate parent, is made.

4. Directors' emoluments

None of the Directors received any emoluments for their services as Directors of the Company.

5. Tax on profit on ordinary activities

a. Analysis of tax charge in the year

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Current tax | | |
| UK corporation tax at 19% on profits for the year | 26 | - |
| Adjustments in respect of prior years | - | - |
| Tax on profits from ordinary activities | 26 | - |

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

b. Factors affecting tax charge for the year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation | 135 | - |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% | 25 | - |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1 | - |
| Current tax charge for the year | 26 | - |

c. Factors that may affect future tax charges

The company expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

6. Tangible Fixed Assets

| Cost | Assets under Construction £'000 |
|--|---------------------------------------|
| At 1 January 2003 | 2,629 |
| Additions | 1,335 |
| Transfer to Investment Property (Note 7) | (3,964) |
| Disposals | - |
| At 31 December 2003 | - |
| Depreciation | |
| At 1 January and 31 December 2003 | - |
| Net book value at 31 December 2003 | - |
| Net book value at 31 December 2002 | 2,629 |

Finance costs capitalised within the above asset during the year amount to £41,000 (2002: £89,000) being the interest incurred on the loan taken out to build the asset. Finance costs of £137,000 (2002: £nil) have been charged to the profit and loss account in respect of the assets constructed during the year.

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

7. Investments

Investment Property

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Transfer from Tangible Fixed Assets (Note 6) | <u>3,964</u> | <u>-</u> |

Property previously held within tangible fixed assets during the construction and development phase was completed during the year and let on an arms length basis. The Directors are of the opinion that the open market value of the property at the reporting date was not materially different to the carrying value reflected above.

8. Debtors

Receivable within one year

| | 2003 £'000 | 2002 £'000 |
|---------------|---------------|---------------|
| Other debtors | 93 | - |
| VAT | <u>1</u> | <u>37</u> |
| | <u>94</u> | <u>37</u> |

9. Creditors

Amounts falling due within one year

| | 2003 £'000 | 2002 £'000 |
|------------------------------|---------------|---------------|
| Bank loans and overdrafts | 1,899 | - |
| Other creditors | 1,860 | 2,283 |
| Corporation tax | 13 | - |
| Accruals and deferred income | <u>178</u> | <u>384</u> |
| | <u>3,950</u> | <u>2,667</u> |

10. Share Capital

| | 2003 £ | 2002 £ |
|---|-----------|-----------|
| Authorised | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| 1 ordinary share of £1 | <u>1</u> | <u>1</u> |

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

11. Reconciliation of movements in shareholders' funds

| | 2003 | 2002 |
|--|------------|------------|
| | £ | £ |
| Shareholders' deficit at the beginning of the year | (1) | - |
| Profit / (loss) for the financial year | 109 | (1) |
| Shareholders' funds/(deficit) at the end of the year | <u>108</u> | <u>(1)</u> |

12. Capital Commitments

At 31 December 2003, capital expenditure contracted for but not incurred at the year end is estimated to be £33,000 (2002: £940,000).

13. Related party transactions

During the year, in addition to those transactions disclosed separately in the accounts, the Company had the following transactions with related parties:

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Companies under the ultimate control of HBOS Plc:- | | |
| Year end position: | | |
| Bank of Scotland – overdraft | 1,899 | - |
| Capital Bank plc – creditor | 40 | 2,212 |
| Companies under the ultimate control of Scarborough Property Group Plc:- | | |
| Year end position: | | |
| Scarborough Property Group Plc - accruals | - | 114 |
| Transactions during the year: | | |
| Development costs | 170 | - |

The table above includes both transactions occurring in the year and the positions at the year end.

14. Parent undertakings

Ashcross Services limited is 100% owned by Chester Meadow Limited, which itself is a wholly owned subsidiary of Chester Meadow Holdings Limited. Chester Meadow Holdings Limited is a joint venture with 40% of its issued share capital held by Uberior Investments Plc, 40% held by Scarborough Property Group Plc and 20% held by Mr. D. Martin. HBOS Plc is the ultimate parent undertaking of Uberior Investments Plc.

ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2003

ANALYSIS OF PROFIT AND LOSS ACCOUNT

| | 2003 £ | 2002 £ |
|----------------------------------|----------------|----------------|
| Turnover | | |
| Rental income | 276,791 | - |
| | - | - |
| Per profit and loss account | <u>276,791</u> | <u>-</u> |
| Finance and trading costs | | |
| Stage payment interest | 137,290 | - |
| Bank interest received | (1,115) | - |
| Bank charges | 32 | - |
| Per profit and loss account | <u>136,207</u> | <u>-</u> |
| Administrative expenses | | |
| Professional fees | 3,299 | - |
| Audit fee | 2,000 | 1,000 |
| Per profit and loss account | <u>5,299</u> | <u>1,000</u> |
| Operating profit/(loss) | <u>135,285</u> | <u>(1,000)</u> |

