

# **ASHCROSS SERVICES LIMITED**

## **REPORT AND ACCOUNTS 31 DECEMBER 2010**

### **Registered office**

Charterhall House  
Charterhall Drive  
Chester  
CH88 3AN

### **Registered number**

4361818

### **Directors**

A J Baker  
Esplanade Director Limited  
D Martin

### **Company Secretary**

P Gittins

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**ASHCROSS SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2010**  
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**ASHCROSS SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2010**  
**REPORT OF THE DIRECTORS**

The directors hereby submit their Report and the accounts for the year ended 31 December 2010

**Principal activity**

Ashcross Services Limited ("the Company") is a limited company incorporated and domiciled in England and Wales (registered number. 4361818)

The principal activity of the Company is the holding of property for investment purposes

**Performance**

The directors consider that the Company has conducted its activities throughout the year in a satisfactory manner

The Company's profit after tax for the financial year is £217,000 (2009 £249,000)

The Company has total assets of £3,081,000 (2009 £3,075,000)

**Future outlook**

The directors decided to actively market the investment property for sale from July 2010 to realise the asset through disposal rather than continued use and expect to dispose of the property in the next financial year. As a result these accounts have been prepared on a break up basis

**Key performance indicators ('KPIs')**

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

**Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company relate to fluctuations in property values and movements in underlying interest rates upon which funding charges are based. These risks are discussed and supplementary qualitative and quantitative information is provided in note 17 to the financial statements

**Dividends**

No dividend was paid or proposed during the year (2009 £nil)

# **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2010**

## **REPORT OF THE DIRECTORS (continued)**

### **Policy and practice on payment of suppliers**

The Company follows "The Prompt Payment Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. Information about the "Prompt Payment Code" may be obtained by visiting [www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk)

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade creditors at 31 December 2010, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2009: nil).

### **Going concern**

The accounts have been prepared on a break up basis as the non current assets classified as held for sale are being actively marketed to be sold. The directors believe that the property will be sold in the next financial year. As such the Company will become a non-trading entity and it is not expected to incur any further liabilities.

### **Directors**

The names of the current directors are shown on the cover.

The following changes in directors took place during the year:

S C McCabe	resigned 26 April 2010
J L Burnley (alternate director to S C McCabe)	resigned 26 April 2010
Esplanade Director Limited	appointed 26 April 2010

# **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2010**

## **REPORT OF THE DIRECTORS (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

### **Auditors and disclosure of information to auditors**

Each director in office at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of the relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

By order of the board



A J Baker  
Director

## **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2010**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ASHCROSS SERVICES LIMITED**

We have audited the financial statements of Ashcross Services Limited for the year ended 31 December 2010 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**ASHCROSS SERVICES LIMITED**

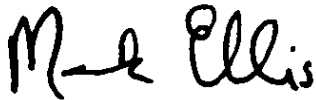
**YEAR ENDED 31 DECEMBER 2010**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ASHCROSS  
SERVICES LIMITED (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Mark Ellis (Senior Statutory Auditor)  
for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

One Kingsway  
Cardiff  
CF10 3PW

21<sup>st</sup> September 2011

**ASHCROSS SERVICES LIMITED****YEAR ENDED 31 DECEMBER 2010****STATEMENT OF COMPREHENSIVE INCOME**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Interest and similar expense	<b>2</b>	<b>(63)</b>	<b>(72)</b>
Rental income		<b>447</b>	<b>447</b>
Administrative expenses		<b>(71)</b>	<b>(30)</b>
<b>Profit before taxation</b>	<b>3</b>	<b>313</b>	<b>345</b>
Taxation	<b>6</b>	<b>(96)</b>	<b>(96)</b>
<b>Profit for the year attributable to equity holders, being total comprehensive income for the year</b>		<b>217</b>	<b>249</b>

The notes on pages 10 to 21 are an integral part of these financial statements



# ASHCROSS SERVICES LIMITED

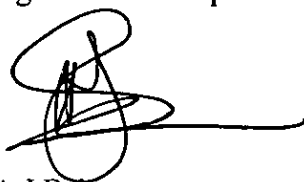
AS AT 31 DECEMBER 2010

## BALANCE SHEET

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
Investment property	7	-	2,550
Cash and cash equivalents		447	395
Amounts due from related undertakings	8	10	-
Other current assets	9	134	130
Deferred tax asset	10	7	-
Assets classified as held for sale	11	2,483	-
<b>Total assets</b>		<u>3,081</u>	<u>3,075</u>
<b>Liabilities</b>			
Amounts due to related undertakings	12	1,782	1,934
Other liabilities	13	1,402	1,472
Current tax liability		103	92
<b>Total liabilities</b>		<u>3,287</u>	<u>3,498</u>
<b>Equity</b>			
Issued capital	14	-	-
Retained earnings		(206)	(423)
<b>Total equity</b>		<u>(206)</u>	<u>(423)</u>
<b>Total liabilities and equity</b>		<u>3,081</u>	<u>3,075</u>

The notes on pages 10 to 21 are an integral part of these financial statements

The financial statements on pages 6 to 21 were approved by the board of directors and signed on 21<sup>st</sup> September 2011 on its behalf by



A J Baker  
Director

**ASHCROSS SERVICES LIMITED****AS AT 31 DECEMBER 2010****STATEMENT OF CHANGES IN EQUITY**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2009	-	(672)	(672)
Profit for the year and total comprehensive income for the year	-	249	249
<b>Balance at 31 December 2009</b>	<b>-</b>	<b>(423)</b>	<b>(423)</b>
Profit for the year and total comprehensive income for the year	-	217	217
<b>Balance at 31 December 2010</b>	<b>-</b>	<b>(206)</b>	<b>(206)</b>

The notes on pages 10 to 21 are an integral part of these financial statements

**ASHCROSS SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2010**  
**CASH FLOW STATEMENT**

	<b>2010</b> <b>£'000</b>	2009 £'000
<b>Cash flows from operating activities</b>		
Profit before taxation	313	345
Adjustments for		
Change in the value of investment property	67	-
Interest on loans	63	72
Changes in operating assets and liabilities		
Net increase in current assets	(14)	(2)
Net increase/(decrease) in current liabilities	24	(16)
	<hr/>	<hr/>
Cash generated from operations	453	399
Taxation	(92)	(39)
	<hr/>	<hr/>
<b><i>Net cash from operating activities</i></b>	<b>361</b>	<b>360</b>
<b>Cash flows used in financing activities</b>		
Interest on loans	(63)	(72)
Repayment of borrowing	(246)	(198)
	<hr/>	<hr/>
<b><i>Net cash used in financing activities</i></b>	<b>(309)</b>	<b>(270)</b>
<b>Net increase in cash and cash equivalents</b>	<b>52</b>	<b>90</b>
<b>Cash and cash equivalents at 1 January</b>	<b>395</b>	<b>305</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	<b>447</b>	<b>395</b>

The notes on pages 10 to 21 are an integral part of these financial statements

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2010

## NOTES TO THE ACCOUNTS

### 1. Accounting policies

#### **Basis of preparation**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The following IFRS pronouncements relevant to the Company have been adopted in these financial statements:

#### *Improvements to IFRSs (issued April 2009)*

This sets out minor amendments to IFRSs as part of the annual improvements process. Most amendments clarified existing practice. The application of these new interpretations has not had any impact for amounts recognised in these financial statements.

#### *Amendments to IAS 12 Income Taxes – 'Deferred Tax Recovery of Underlying Assets' (issued December 2010)*

This introduces a rebuttable presumption that investment property measured at fair value is recovered entirely through sale and that deferred tax in respect of such investment property is recognised on that basis. The impact of this pronouncement is detailed in note 10 to the financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2010 and which have not been applied in preparing these financial statements are given in note 20.

The financial statements have been prepared on a break up basis with assets being valued at the lower of carrying amount and recoverable amount.

#### **Revenue recognition**

Rental income is recognised evenly over the rental period. Rental income paid in advance is deferred to the balance sheet and is reported in other current liabilities.

# **ASHCROSS SERVICES LIMITED**

## **YEAR ENDED 31 DECEMBER 2010**

### **NOTES TO THE ACCOUNTS (continued)**

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

##### **Assets classified as held for sale**

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. The assets held for sale relates to assets previously held as investment properties. Further details have been provided in note 11.

##### **Taxation, including deferred income taxes**

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Current and deferred tax assets and liabilities are offset where they arise in the same tax reporting group and where there is both a legal right of offset and the intention is to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise deposits at bank held at call or within three months notice or less and bank overdrafts.

##### **Critical accounting estimates and judgements in applying accounting policies**

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2010

## NOTES TO THE ACCOUNTS (continued)

### 2. Interest and similar expense

	2010 £'000	2009 £'000
Group interest expense (see note 15)	(37)	(43)
Other interest expense	<u>(26)</u>	<u>(29)</u>
	<u>(63)</u>	<u>(72)</u>

### 3. Profit before taxation

The profit before taxation is stated after taking into account fees payable to the Company's auditors for the audit of the financial statements of £1,500 excluding VAT (2009: £1,500)

### 4. Staff numbers and costs

The Company has no employees. It uses the services of one of its joint venture investors for which a management charge, included in administrative expenses is made. It is not possible to determine the amount of this charge that relates to staff costs

### 5. Directors' emoluments

	2010 £'000	2009 £'000
Management charge paid in respect of D Martin (see note 15)	<u>4</u>	<u>4</u>

In line with the terms of agreement and facility letter, 40% of the director's management charge is recharged to RCI Financial Services Limited (Renault)

### 6. Taxation

#### a) Analysis of charge for the year

	2010 £'000	2009 £'000
<b>Current tax</b>		
Corporation tax charge for the year	<u>(103)</u>	<u>(96)</u>
<b>Deferred tax</b>		
Deferred tax charge for the year	(1)	-
Adjustment in respect of prior years	<u>8</u>	<u>-</u>
	<u>7</u>	<u>-</u>
Taxation in the Statement of comprehensive income	<u>(96)</u>	<u>(96)</u>

Corporation tax is calculated at a rate of 28% (2009: 28%) of the taxable profit for the year

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2010

## NOTES TO THE ACCOUNTS (continued)

### 6. Taxation

#### b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before taxation to the tax charge for the year is given below

	2010 £'000	2009 £'000
Profit before taxation	313	345
Tax charge thereon at UK corporation tax rate of 28% (2009 28%)	(88)	(97)
Effects of		
Adjustment in respect of prior years	8	-
Deferred tax not recognised	-	2
Expenses not deductible	(18)	(4)
Small companies relief	2	3
	<u>(96)</u>	<u>(96)</u>

### 7. Investment property

	2010 £'000	2009 £'000
Balance at 1 January	2,550	2,550
Transfer to non-current assets classified as held for sale (see note 11)	(2,550)	-
Balance at 31 December	<u>-</u>	<u>2,550</u>

The investment property was reclassified as an asset classified as held for sale as at 31 December 2010. Details of the reclassification and valuation of the property are given in note 11

### 8. Amounts due from related undertakings

	2010 £'000	2009 £'000
Amounts due from related undertakings (see note 15)	10	-

Amounts due from related undertakings are unsecured, non-interest bearing and repayable on demand

### 9. Other current assets

	2010 £'000	2009 £'000
Rental income receivable	131	128
Other current assets	3	2
	<u>134</u>	<u>130</u>

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2010

## NOTES TO THE ACCOUNTS (continued)

### 10. Deferred tax asset

The movement in the Company's deferred tax position is as follows

	2010 £'000	2009 £'000
At 1 January	-	-
Credit to income for the year	7	-
Balance carried forward as at 31 December	<u>7</u>	<u>-</u>

The deferred tax credit in the Statement of comprehensive income comprises the following temporary differences

	2010 £'000	2009 £'000
Accelerated capital allowances on assets leased to customers	<u>7</u>	<u>-</u>

	2010 £'000	2009 £'000
Deferred tax asset comprises		
Accelerated capital allowances on assets leased to customers	<u>7</u>	<u>-</u>

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011.

In his Budget speech on 23 March 2011, the Chancellor announced a further reduction in the rate of corporation tax to 26% with effect from 1 April 2011. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011. The Finance Act 2011 includes legislation to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012. The total reduction from 27% to 25% is not estimated to have a significant effect on the deferred tax asset and will be reflected in the financial statements for the year ended 31 December 2011.

The proposed further reductions in the rate of corporation tax by 1% per annum to 23% from 1 April 2014 are expected to be enacted separately each year. The effect of these further changes upon the company's deferred tax balances cannot be reliably quantified at this stage.



# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2010

## NOTES TO THE ACCOUNTS (continued)

### 11. Assets classified as held for sale

	2010 £'000	2009 £'000
Investment property (see note 7)	<u>2,483</u>	<u>-</u>

Investment property comprises a commercial property that is leased to a third party under an operating lease. This is presented as held for sale following a decision by the directors in July 2010 to sell the property and its active marketing for sale since that date. The completion date for the transaction cannot be determined at the date of signing these financial statements, however the directors believe this will occur in the next financial year.

An independent valuation of the investment property as at 31 December 2010 was not commissioned. The property was valued on an open market basis on 26 January 2009 by GVA Grimley Limited, independent Chartered Surveyors.

In determining the fair value of £2,550,000 at 26 January 2009, the market rental value has been capitalised at an appropriate yield to reflect vacant possession and the limited prospects of demand if the property were to be offered to the market for either freehold or leasehold disposal. GVA Grimley anticipated an extended period of marketing. This specifically assumes a willing purchaser and that the willing purchaser has the benefit of a suitable franchise(s). It does not, however, specifically assume continuation of the existing tenant, or therefore reflected any premium value, as this could represent an artificial approach in the market.

The directors consider that the fair value of £2,550,000 has not changed as at 31 December 2010, but now includes estimated costs to sell of £67,000.

### Operating lease minimum lease receipts

The future minimum rentals receivable under non cancellable operating leases are as follows

	2010 £'000	2009 £'000
Less than one year	446	446
Between one and five years	1,786	1,786
More than five years	<u>3,273</u>	<u>3,719</u>
	<u>5,505</u>	<u>5,951</u>

**ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2010**

**NOTES TO THE ACCOUNTS (continued)**

**12. Amounts due to related undertakings**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-current liabilities</b>		
Amounts due to related undertakings (see note 15)	<u>-</u>	<u>1,783</u>
<b>Current liabilities</b>		
Amounts due to related undertakings (see note 15)	<b>1,782</b>	<b>151</b>
<b>Total amounts due to related undertakings</b>	<u><b>1,782</b></u>	<u><b>1,934</b></u>

Amounts due to related undertakings are jointly secured with the loan from RCI Financial Services Limited over the investment property and are repayable over the next 12 months

**13. Other liabilities**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Non-current liabilities</b>		
Loan from RCI Financial Services Limited	<u>-</u>	<u>1,239</u>
<b>Current liabilities</b>		
Loan from RCI Financial Services Limited	<b>1,239</b>	<b>94</b>
Value added taxation	<b>40</b>	<b>17</b>
Other current liabilities	<u><b>123</b></u>	<u><b>122</b></u>
	<b>1,402</b>	<b>233</b>
<b>Total other liabilities</b>	<u><b>1,402</b></u>	<u><b>1,472</b></u>

The loan from RCI Financial Services Limited is jointly secured with the amounts 12 months

**14. Share capital**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	<u>-</u>	<u>-</u>

At 31 December 2010, the authorised share capital of the Company was 1,000 ordinary shares of £1 each

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2010

## NOTES TO THE ACCOUNTS (continued)

### 15. Related parties

The Company's related parties include the ultimate and immediate parent companies, companies in Lloyds Banking Group plc and the Company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's directors.

With the exception of director's emoluments disclosed in note 5, key management personnel and members of their close families have not undertaken any transactions with the Company in the normal course of business.

The Company had the following reportable transactions with related parties:

Transactions included within the Statement of comprehensive income.

	2010 £'000	2009 £'000
Interest and similar expense (see note 2)	(37)	(43)
Management charge (see note 5)	(4)	(4)
Outstanding balances included within the balance sheet		
	2010 £'000	2009 £'000
Cash and cash equivalents	447	395
Amounts due from related undertakings – (see note 8)	10	-
Amounts due to related undertakings – non-current liabilities (see note 12)	-	(1,783)
Amounts due to related undertakings – current liabilities (see note 12)	(1,782)	(151)

### 16. Parent undertaking

As at 31 December 2010 the Company's immediate parent company was Chester Meadow Limited, which itself is a wholly owned subsidiary of Chester Meadow Holdings Limited. Chester Meadow Holdings Limited is a joint venture company with no ultimate controlling party. 40% of the issued share capital is held by Uberior Investments Plc, 40% held by SDG Caledonia Newco Limited and 20% held by Mr D Martin. Bank of Scotland plc is the parent undertaking of Uberior Investments plc.

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2010

## NOTES TO THE ACCOUNTS (continued)

### 16. Parent undertaking (continued)

From 16 January 2009, Uberior Investments plc's ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. Copies of the annual report and accounts of Lloyds Banking Group plc for the year ended 31 December 2010 may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

Prior to 16 January 2009, HBOS plc was the ultimate parent undertaking of Uberior Investments plc. Copies of the annual report and accounts of HBOS plc for the year ended 31 December 2010 may be obtained from HBOS plc's registered office at The Mound, Edinburgh, EH1 1YZ.

### 17. Financial risk management

The Company's operations expose it to credit risk, interest rate risk and liquidity risk as follows:

#### (a) Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. The table below sets out the maximum exposure to credit risk at the balance sheet date.

	2010 £'000	2009 £'000
Cash and cash equivalents	447	395
Rent receivable	131	128
	<u>578</u>	<u>523</u>

At the balance sheet date, the cash and cash equivalents are with one party and the rent is receivable from one party. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### (b) Interest rate risk

The Company has fixed annual rental income from a customer which is reviewed and amended as required every five years.

The Company is funded via a term loan with Bank of Scotland plc and a loan with RCI Financial Services Limited which are set up on a variable basis (i.e. 1.5% margin above Bank of England base rate). Consequently the Company does have some exposure to interest rate risk.

Interest rate exposure is concentrated entirely within the UK money markets. The principal internal control metric is the Net Interest Income (NII) sensitivity which measures how much of the current projection for the next 12 months' NII would alter if different assumptions are made about the future levels of interest rates.

# ASHCROSS SERVICES LIMITED

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## NOTES TO THE ACCOUNTS (continued)

### 17. Financial risk management

#### (b) Interest rate risk (continued)

The table below sets out the sensitivity of the Company's net interest income (NII) over a 12 month period to an immediate up and down 100 basis points change to all interest rates as at the balance sheet date

	2010 £'000	2009 £'000
Impact of +100 bps shift	(26)	(29)
Impact of -100 bps shift	26	29

The measure, however, is simplified in that it assumes all interest rates, for all currencies and maturities, move at the same time and by the same amount. Also, it does not recognise the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on NII

#### (c) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets and liabilities. The Company's short term liquidity requirements are supported by a facility with Bank of Scotland plc subject to internal limits and by funding from RCI Financial Services Limited

The table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the balance sheet date

#### (c) Liquidity risk (continued)

As at 31 December 2010

	Up to 1 mth £'000	1-3 mths £'000	3-12 mths £'000	1-5 yrs £'000	Over 5 yrs £'000	Total £'000
Amounts due to related undertakings	45	-	1,938	-	-	1,983
Other liabilities	30	-	1,364	-	-	1,394
Total	75	-	3,302	-	-	3,377

As at 31 December 2009:

	Up to 1 mth £'000	1-3 mths £'000	3-12 mths £'000	1-5 yrs £'000	Over 5 yrs £'000	Total £'000
Amounts due to related undertakings	45	-	135	900	1,083	2,163
Other liabilities	30	-	90	600	794	1,514
Total	75	-	225	1,500	1,877	3,677

**ASHCROSS SERVICES LIMITED**

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**NOTES TO THE ACCOUNTS (continued)**

**17. Financial risk management**

**(d) Foreign exchange risk**

The Company does not have any exposure to foreign exchange risk as all assets and liabilities are denominated in Sterling

**18. Contingent liabilities and commitments**

There were no contingencies or contracted capital commitments at the balance sheet date (2009 nil)

**19. Post balance sheet events**

There are no post balance sheet events requiring disclosure in these financial statements

**20. Future developments**

The following pronouncements will be relevant to the Company but were not effective at 31 December 2010 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	IASB effective date
Improvements to IFRSs (issued April 2009) <sup>2</sup>	Sets out minor amendments to IFRS standards as part of annual improvements process	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2010
Amendments to IAS 24 Related Party Disclosures	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for related party transactions with government related entities	Annual periods beginning on or after 1 January 2011

**ASHCROSS SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2010**  
**NOTES TO THE ACCOUNTS (continued)**

**20. Future developments (continued)**

Pronouncement	Nature of change	IASB effective date
IFRS 9 Financial Instruments Classification and Measurement <sup>1&amp;2</sup>	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity categories in existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015

1 IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39. The effective date of the standard is annual periods beginning on or after 1 January 2015.

2 At the date of this report, these amendments are awaiting EU endorsement.