

# **ASHCROSS SERVICES LIMITED**

## **REPORT AND ACCOUNTS 31 DECEMBER 2009**

### **Registered office**

Charterhall House  
Charterhall Drive  
Chester  
CH88 3AN

### **Registered number**

4361818

### **Directors**

D Martin  
A J Baker  
R Harris (alternate director to D Martin)  
Esplanade Director Limited (appointed 26 April 2010)

### **Company Secretary**

P Gittins

THURSDAY



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**ASHCROSS SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2009**  
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# **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

## **REPORT OF THE DIRECTORS**

The directors hereby submit their Report and the accounts for the year ended 31 December 2009

### **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 £249,000 (2008 loss of £2,330,000), an increase of £2,579,000. The Company made a loss in 2008 due to a valuation loss on the investment property of £2,900,000 (see note 7)

The Company has total assets of £3,075,000 (2008: £2,983,000), an increase of £92,000.

### **Future outlook**

After the year end, the directors are giving consideration to the potential sale of the investment property to realise the asset through disposal rather than continued use. As such the nature of business is likely to change. Further details are provided in note 16 to the financial statements

### **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 14 to the financial statements

### **Dividends**

There is no dividend payable for the year (2008: £nil).

# **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

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

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

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845 0150010 quoting ref URN 04/606

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 2009, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2008 nil)

### **Directors**

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

The following changes in directors took place since the year end

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

### **Auditors**

Following the resignation of KPMG Audit plc on 3 February 2010, PricewaterhouseCoopers LLP were appointed as auditors of the Company with effect from the same date by resolution of the members dated 1 March 2010.

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and PricewaterhouseCoopers LLP will therefore continue in office.

# **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

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

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

The directors are responsible for preparing the directors' report 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 estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (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
- he 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.

Registered office  
Charterhall House  
Charterhall Drive  
Chester  
CH88 3AN

By order of the Board



**P Gittins**  
**Secretary**

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## **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

### **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 2009 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 directors' responsibilities statement 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 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 2009 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

**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*

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

One Kingsway  
Cardiff  
CF10 3PW

*23<sup>rd</sup> November 2010*

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**ASHCROSS SERVICES LIMITED****YEAR ENDED 31 DECEMBER 2009****STATEMENT OF COMPREHENSIVE INCOME**

	<b>Notes</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Interest and similar income		-	15
Interest and similar expense		<u>(72)</u>	<u>(218)</u>
<b>Net interest expense</b>	<b>2</b>	<b>(72)</b>	<b>(203)</b>
Rental income		447	420
Valuation loss on investment property		-	(2,900)
Administrative expenses		<u>(30)</u>	<u>(4)</u>
<b>Profit/(loss) before taxation</b>	<b>3</b>	<b>345</b>	<b>(2,687)</b>
Taxation	<b>6</b>	<u>(96)</u>	<u>357</u>
<b>Profit/(loss) attributable to equity holders, being total comprehensive income for the year</b>		<u><b>249</b></u>	<u><b>(2,330)</b></u>

The notes on pages 10 to 20 are an integral part of these financial statements

# ASHCROSS SERVICES LIMITED

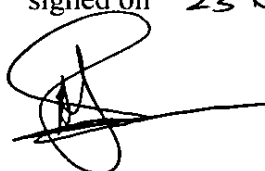
AS AT 31 DECEMBER 2009

## BALANCE SHEET

	Notes	2009 £'000	2008 £'000
<b>Assets</b>			
Investment property	7	2,550	2,550
<b>Total non-current assets</b>		<u>2,550</u>	<u>2,550</u>
Cash and cash equivalents		395	305
Other current assets	8	130	128
<b>Total current assets</b>		<u>525</u>	<u>433</u>
<b>Total assets</b>		<u>3,075</u>	<u>2,983</u>
<b>Liabilities</b>			
Amounts due to related undertakings	9	1,783	1,958
Other liabilities	10	1,239	1,342
<b>Total non-current liabilities</b>		<u>3,022</u>	<u>3,300</u>
Amounts due to related undertakings	9	151	121
Current taxation creditor		92	35
Other liabilities	10	233	199
<b>Total current liabilities</b>		<u>476</u>	<u>355</u>
<b>Total liabilities</b>		<u>3,498</u>	<u>3,655</u>
<b>Equity</b>			
Issued capital	11	-	-
Retained earnings		(423)	(672)
<b>Total equity</b>		<u>(423)</u>	<u>(672)</u>
<b>Total liabilities and equity</b>		<u>3,075</u>	<u>2,983</u>

The notes on pages 10 to 20 are an integral part of these financial statements

The financial statements on pages 6 to 20 were approved by the Board of Directors and signed on 23 November 2010 on its behalf by



A J Baker  
Director

**ASHCROSS SERVICES LIMITED**  
**AS AT 31 DECEMBER 2009**  
**STATEMENT OF CHANGES IN EQUITY**

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 January 2008	-	1,658	1,658
Total comprehensive income for the year	-	(2,330)	(2,330)
<b>Balance at 31 December 2008</b>	<b>-</b>	<b>(672)</b>	<b>(672)</b>
Total comprehensive income for the year	-	249	249
<b>Balance at 31 December 2009</b>	<b>-</b>	<b>(423)</b>	<b>(423)</b>

The notes on pages 10 to 20 are an integral part of these financial statements

**ASHCROSS SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2009**  
**CASH FLOW STATEMENT**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	<b>345</b>	(2,687)
Adjustments for:		
Interest on loans	<b>72</b>	203
Valuation loss on investment property	-	2,900
Movement in receivables	<b>(2)</b>	(19)
Movement in payables	<b>(16)</b>	(140)
Cash generated from operations	<b>399</b>	257
Taxation	<b>(39)</b>	(43)
<b><i>Net cash from operating activities</i></b>	<b>360</b>	214
<b>Cash flows used in financing activities</b>		
Interest on loans	<b>(72)</b>	(203)
Repayment of borrowing	<b>(198)</b>	(209)
<b><i>Net cash used in financing activities</i></b>	<b>(270)</b>	(412)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>90</b>	(198)
<b>Cash and cash equivalents at 1 January</b>	<b>305</b>	503
<b>Cash and cash equivalents at 31 December</b>	<b>395</b>	305

The notes on pages 10 to 20 are an integral part of these financial statements

**ASHCROSS SERVICES LIMITED**  
**YEAR ENDED 31 DECEMBER 2009**  
**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 pronouncement relevant to the Company has been adopted in these financial statements:

*IAS 1 (revised) Presentation of financial statements*

The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has elected to present one statement, a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements, the application of this revised standard, which affects presentation only, has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2009 and which have not been applied in preparing these financial statements are given in note 17.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property.

Although the Company is in a net liabilities position at 31 December 2009, the directors believe that the Company will generate sufficient cash flows in the foreseeable future which will ensure that it can meet its liabilities as they fall due. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

**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.

**Investment properties**

Investment properties comprise freehold and leasehold property that are held, either to earn rental income or for capital appreciation or both. They are initially recognised at cost and are fair valued annually. Rental income from investment properties is recognised on a straight line basis over the term of the lease and any gains or losses arising from a change in the fair value are recognised in the statement of comprehensive income in the period that they occur.

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## **ASHCROSS SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

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

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

##### **Estimate of fair value of investment properties**

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making its judgement, the Company considers information from a variety of sources including

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences,
- Recent prices of similar properties in less active markets, with adjustments, to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows

##### **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

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 1. Accounting policies (continued)

#### 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.

### 2. Net interest expense

	2009 £'000	2008 £'000
Interest and similar income (see note 12)	-	15
<b>Interest and similar expense</b>		
Group interest expense (see note 12)	(43)	(130)
Other interest expense	(29)	(88)
	<u>(72)</u>	<u>(218)</u>
Net interest expense	<u>(72)</u>	<u>(203)</u>

### 3. Profit/(loss) before taxation

The profit/(loss) 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 (2008 £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

	2009 £'000	2008 £'000
Management charge paid in respect of D Martin (see note 12)	<u>4</u>	<u>3</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).

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 6. Taxation

#### a) Analysis of (charge)/credit for the year

	2009 £'000	2008 £'000
<b>Current tax</b>		
Corporation tax charge for the year	(96)	(52)
Adjustments in respect of prior years	-	6
	<u>(96)</u>	<u>(46)</u>
<b>Deferred tax</b>		
Deferred tax credit for the year	-	430
Adjustments in respect of prior years	-	(27)
	<u>-</u>	<u>403</u>
Taxation in the statement of comprehensive income	<u>(96)</u>	<u>357</u>

#### b) Factors affecting the tax (charge)/credit for the year

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

	2009 £'000	2008 £'000
Profit/(loss) before taxation	<u>345</u>	<u>(2,687)</u>
Tax (charge)/credit thereon at UK corporation tax rate of 27 26% (2008 25 36%)	(94)	682
Effects of		
Deferred tax not recognised	2	(304)
Adjustments in respect of prior years	-	(21)
Expenses not deductible	(4)	-
	<u>(96)</u>	<u>357</u>

#### c) Movement in deferred tax

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

	2009 £'000	2008 £'000
At 1 January	-	403
Release to income for the year	-	(403)
Balance carried forward as at 31 December	<u>-</u>	<u>-</u>

Deferred tax assets of £324,000 (2008: £304,000) relating to assets carried at fair value have not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 7. Investment property

	2009 £'000	2008 £'000
Balance at 1 January	2,550	5,450
Fair value adjustment	-	(2,900)
Balance at 31 December	<u>2,550</u>	<u>2,550</u>

Investment property comprises a commercial property that is leased to a third party under an operating lease

The Company has applied the fair value model as its choice of valuation

An independent valuation of investment property as at 31 December 2009 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 value of £2,550,000 has not changed as at 31 December 2009.

### Operating lease minimum lease receipts

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

	2009 £'000	2008 £'000
Less than one year	446	446
Between one and five years	1,786	1,786
More than five years	3,719	4,165
	<u>5,951</u>	<u>6,397</u>

### 8. Other current assets

	2009 £'000	2008 £'000
Rental income receivable	128	128
Other current assets	2	-
	<u>130</u>	<u>128</u>

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 9. Amounts due to related undertakings

	2009 £'000	2008 £'000
<b>Non-current liabilities</b>		
Amounts due to related undertakings (see note 12)	<u>1,783</u>	<u>1,958</u>
<b>Current liabilities</b>		
Amounts due to related undertakings (see note 12)	<u>151</u>	<u>121</u>
<b>Total amounts due to related undertakings</b>	<u>1,934</u>	<u>2,079</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 13 years as follows

Date	Rate	£'000
Repayable during 2010	Bank of England base rate +1 5%	151
Repayable during 2011	Bank of England base rate +1 5%	146
Repayable during 2012	Bank of England base rate +1 5%	149
Repayable during 2013	Bank of England base rate +1 5%	152
Repayable during 2014	Bank of England base rate +1 5%	155
Repayable after 2014	Bank of England base rate +1.5%	1,181

### 10. Other liabilities

	2009 £'000	2008 £'000
<b>Non-current liabilities</b>		
Loan from RCI Financial Services Limited	<u>1,239</u>	<u>1,342</u>
<b>Current liabilities</b>		
Loan from RCI Financial Services Limited	<u>94</u>	<u>44</u>
Value added taxation	<u>17</u>	<u>17</u>
Other current liabilities	<u>122</u>	<u>138</u>
	<u>233</u>	<u>199</u>
<b>Total other liabilities</b>	<u>1,472</u>	<u>1,541</u>

The loan from RCI Financial Services Limited is jointly secured with the amounts due to related undertakings over the investment property and is repayable over the next 13 years as follows

Date	Rate	£'000
Repayable during 2010	Bank of England base rate +1.5%	94
Repayable during 2011	Bank of England base rate +1 5%	96
Repayable during 2012	Bank of England base rate +1 5%	98
Repayable during 2013	Bank of England base rate +1 5%	100
Repayable during 2014	Bank of England base rate +1.5%	102
Repayable after 2014	Bank of England base rate +1 5%	843

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 11. Share capital

	2009 £	2008 £
<b>Authorised</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

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

### 12. 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.

	2009 £'000	2008 £'000
Interest and similar expense (see note 2)	(43)	(130)
Management charge (see note 5)	(4)	(3)
Interest receivable (see note 2)	-	15

Outstanding balances included within the balance sheet

	2009 £'000	2008 £'000
Cash and cash equivalents	395	305
Amounts due to related undertakings – non-current liabilities (see note 9)	(1,783)	(1,958)
Amounts due to related undertakings – current liabilities (see note 9)	(151)	(121)

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 13. Parent undertaking

As at 31 December 2009 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.

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 2008 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 2008 may be obtained from HBOS plc's registered office at The Mound, Edinburgh, EH1 1YZ.

### 14. 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:

	2009 £'000	2008 £'000
Cash and cash equivalents	395	305
Rent receivable	128	128
	<u>523</u>	<u>433</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.

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 14. Financial risk management (continued)

#### (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.

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

	2009	2008
	£'000	£'000
Impact of +100 bps shift	(29)	(32)
Impact of -100 bps shift	29	32

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

# ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

## NOTES TO THE ACCOUNTS (continued)

### 14. Financial risk management (continued)

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

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

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

As at 31 December 2008

	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	1,263	2,343
Other liabilities	30	-	90	600	914	1,634
Total	75	-	225	1,500	2,177	3,977

#### (d) Foreign exchange risk

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

### 15. Contingent liabilities and commitments

There were no contingencies or contracted capital commitments at the balance sheet date (2008 nil)

## ASHCROSS SERVICES LIMITED

YEAR ENDED 31 DECEMBER 2009

### NOTES TO THE ACCOUNTS (continued)

#### 16. Post balance sheet events

After the year end, the directors are giving consideration to the potential sale of the investment property to realise the asset through disposal rather than continued use. The completion date for any transaction and an estimate of its financial effect cannot be determined at the date of signing these financial statements.

A number of the measures announced in the June 2010 Budget Statement will affect the Company.

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

The proposed further reductions in the rate of corporation tax by 1% per annum to 24% by 1 April 2014 are expected to be enacted separately each year starting in 2011. The effect of these further changes cannot be reliably quantified at this stage.

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

#### 17. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2009 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	IASB effective date
Improvements to IFRSs (issued April 2009)	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
IAS 24 Related Party Disclosures	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011