

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE PERIOD 2 MAY 2002 TO 31 MARCH 2003
FOR
PORT GLASGOW PROPERTY INVESTMENTS
LIMITED
4430043**



**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS
for the period 2 May 2002 to 31 March 2003**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

COMPANY INFORMATION

for the period 2 May 2002 to 31 March 2003

DIRECTORS: A C Gallagher
G H Gosling

SECRETARY: S A Burnett

REGISTERED OFFICE: Gallagher House
51 Bordesley Green
Birmingham
B9 4QS

REGISTERED NUMBER: 4430043 (England and Wales)

AUDITORS: PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

PORT GLASGOW PROPERTY INVESTMENTS LIMITED

REPORT OF THE DIRECTORS for the period 2 May 2002 to 31 March 2003

The directors present their report and the audited financial statements of the company for the period 2 May 2002 to 31 March 2003.

INCORPORATION

The company was incorporated on 2 May 2002 and commenced activity on 22 November 2002. The company passed a special resolution on 30 October 2003 changing its name from Folkland Limited to Port Glasgow Property Investments Limited.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of property investment.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors during the period under review were:

A C Gallagher	(appointed 19.12.01)
G H Gosling	(appointed 19.12.01)

The initial director, Wildman & Battell Limited, resigned on 19.12.01.

The directors holding office at 31 March 2003 did not hold any beneficial interest in the issued share capital of the company at 2 May 2002 or 31 March 2003.

The interests of the directors in the shares of the holding company are shown in the accounts of that company.

STATEMENT OF 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 of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**


**REPORT OF THE DIRECTORS
for the period 2 May 2002 to 31 March 2003**

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

The auditors, PricewaterhouseCoopers LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....

G H Gosling - Director

Date: 29 January 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF PORT GLASGOW PROPERTY INVESTMENTS LIMITED

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

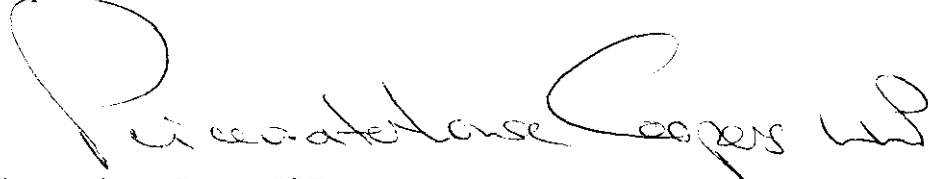
Basis of audit opinion

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 at 31 March 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

Date: 29 January 2004

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**PROFIT AND LOSS ACCOUNT
for the period 2 May 2002 to 31 March 2003**

	Notes	£
TURNOVER		-
Administrative expenses		(10,750)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(10,750)
Tax on loss on ordinary activities	4	-
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		(10,750)
DEFICIT FOR THE PERIOD	9	(10,750)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current period.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

BALANCE SHEET

31 March 2003

	Notes	£
FIXED ASSETS		
Tangible assets	5	<u>1,500,000</u>
CURRENT ASSETS		
Debtors	6	91,000
CREDITORS		
Amounts falling due within one year	7	<u>(1,601,748)</u>
NET CURRENT LIABILITIES		<u>(1,510,748)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>(10,748)</u></u>
CAPITAL AND RESERVES		
Called up share capital	8	2
Profit and loss account	9	<u>(10,750)</u>
SHAREHOLDERS' FUNDS	11	<u><u>(10,748)</u></u>

ON BEHALF OF THE BOARD:

.....
G H Gosling - Director

Approved by the Board on 29 January 2004

PORT GLASGOW PROPERTY INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the period 2 May 2002 to 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Cash flow exemption

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Deferred tax

Full provision is made for deferred tax assets and liabilities arising due to timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation at the current rate of tax. Deferred tax assets are only recognised when it is considered more likely than not that they will be realised.

Going concern

Notwithstanding the fact that at 31 March 2003 the company had net liabilities and made a loss for the year, the accounts have been prepared on a going concern basis as the company has received confirmation of financial support from the parent company.

Investment property

Until investment properties are complete they are included in the accounts at cost.

Once completed, open market valuations are performed on a 3-year cycle subject to an annual impairment review.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise have been shown, cannot reasonably be separately identified or quantified.

2. STAFF COSTS

There were no staff costs for the period ended 31 March 2003.

The average monthly number of employees during the period was as follows:

Directors

2

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
for the period 2 May 2002 to 31 March 2003**

3. OPERATING LOSS

The operating loss is stated after charging:

Auditors' remuneration	£ <u>750</u>
Directors' emoluments	<u>-</u>

4. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the period.

The current corporation tax credit differs from the standard UK corporation tax rate of 30% applied to the loss for the period. The differences are:

Loss for the year at 30%	£ (3,225)
Losses carried forward	<u>3,225</u>
Current tax charge	<u>-</u>

The potential deferred tax asset of £3,225 in respect of the losses carried forward has not been recognised in view of the inherent uncertainty of the future profitability of the business in its early stages.

5. TANGIBLE FIXED ASSETS

	Investment property £
COST:	
Additions	<u>1,500,000</u>
At 31 March 2003	<u>1,500,000</u>
NET BOOK VALUE:	
At 31 March 2003	<u>1,500,000</u>

**6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE
YEAR**

Other debtors	£ <u>91,000</u>
---------------	--------------------

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
for the period 2 May 2002 to 31 March 2003**

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Amounts owed to group undertakings	610,998
Other creditors	980,000
Accrued expenses	<u>10,750</u>
	<u>1,601,748</u>

Other creditors comprise deferred consideration on the purchase of investment property, payable to J J Gallagher Limited.

8. CALLED UP SHARE CAPITAL

Authorised:			
Number:	Class:	Nominal value:	£
1,000	Ordinary	£1	<u>1,000</u>

Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	£
2	Ordinary	£1	<u>2</u>

9. RESERVES

	Profit and loss account
	£
Deficit for the period	<u>(10,750)</u>
At 31 March 2003	<u>(10,750)</u>

10. RELATED PARTY DISCLOSURES

During the period land was purchased from J J Gallagher Limited at an arms length amount of £1,500,000. J J Gallagher Limited is a company ultimately controlled by Mr A C Gallagher.

At 31 March 2003, the company owed £610,998 in respect of an interest free loan to Ashflame Properties Limited, its ultimate parent undertaking.

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
for the period 2 May 2002 to 31 March 2003**

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Loss for the financial period	(10,750)
Issue of share capital	<u>2</u>
Net reduction of shareholders' funds	(10,748)
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>(10,748)</u>
 Equity interests	 <u>(10,748)</u>

12. CONTROLLING PARTY

Port Glasgow Property Investments Limited is a wholly owned subsidiary of Ashflame Properties Limited, (incorporated in England and Wales) its ultimate parent undertaking.

The ultimate controlling party of the company is Mr A C Gallagher by virtue of his ownership of all of the issued share capital of the ultimate parent undertaking.