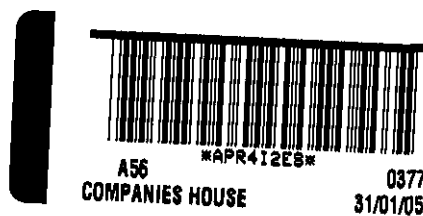


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004
FOR
PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**



**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

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for the year ended 31 March 2004**

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**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

COMPANY INFORMATION
for the year ended 31 March 2004

DIRECTORS: A C Gallagher
G H Gosling

SECRETARY: S A Burnett

REGISTERED OFFICE: 15 Hockley Court
Stratford Road
Hockley Heath
Solihull
West Midlands
B94 6NW

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 year ended 31 March 2004

The directors present their report with the financial statements of the company for the year ended 31 March 2004.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS

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

Both the results for the year, and the year end financial position were satisfactory. The directors consider future prospects to be satisfactory.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2004.

DIRECTORS

The directors during the year under review were:

A C Gallagher
G H Gosling

The directors holding office at 31 March 2004 did not hold any beneficial interest in the issued share capital of the company at 1 April 2003 or 31 March 2004.

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 year ended 31 March 2004**

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:

A handwritten signature in black ink, appearing to read 'G. H. Gosling', is written over a horizontal dotted line.

G H Gosling - Director

Date: 28 January 2005

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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.

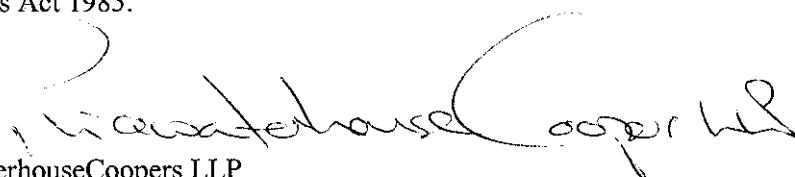
Basis of audit opinion

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

Date: 28 January 2005

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2004**

		Year Ended 31.3.04 £	Period 2.5.02 to 31.3.03 £
	Notes		
TURNOVER		-	-
Administrative expenses		<u>(562)</u>	<u>(10,750)</u>
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(562)	(10,750)
Tax on loss on ordinary activities	4	<u>394</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(168)</u>	<u>(10,750)</u>
LOSS FOR THE YEAR	9	<u><u>(168)</u></u>	<u><u>(10,750)</u></u>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous 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 2004**

	Notes	31.3.04 £	31.3.03 £
FIXED ASSETS			
Tangible assets	5	1,500,000	1,500,000
CURRENT ASSETS			
Debtors	6	482	91,000
CREDITORS			
Amounts falling due within one year	7	<u>(1,511,398)</u>	<u>(1,601,748)</u>
NET CURRENT LIABILITIES		<u>(1,510,916)</u>	<u>(1,510,748)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>(10,916)</u></u>	<u><u>(10,748)</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	2	2
Profit and loss account	9	<u>(10,918)</u>	<u>(10,750)</u>
EQUITY SHAREHOLDERS' FUNDS 11		<u><u>(10,916)</u></u>	<u><u>(10,748)</u></u>

ON BEHALF OF THE BOARD:



.....
G H Gosling - Director

Approved by the Board on 28 January 2005

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2004**

1. ACCOUNTING POLICIES

Accounting convention

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

Cash flow statement

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small 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 SSAP 19. 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.

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 2004 the company had net current liabilities, net liabilities and made a loss for the year, the accounts have been prepared by the directors on a going concern basis as the company has received confirmation of financial support from the parent company.

2. STAFF COSTS

There were no staff costs for the year ended 31 March 2004 nor for the period ended 31 March 2003.

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

	Year Ended 31.3.04	Period 2.5.02 to 31.3.03
Directors	<u>2</u>	<u>2</u>

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004**

3. OPERATING LOSS

The operating loss is stated after charging:

	Year Ended 31.3.04 £	Period 2.5.02 to 31.3.03 £
Auditors' remuneration	<u>250</u>	<u>750</u>
Directors' emoluments	<u>-</u>	<u>-</u>

4. TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows:

	Year Ended 31.3.04 £	Period 2.5.02 to 31.3.03 £
Deferred tax	<u>(394)</u>	<u>-</u>
Tax on loss on ordinary activities	<u>(394)</u>	<u>-</u>

The current corporation tax charge differs from the standard UK corporation tax rate of 30% applied to the profit for the year. The differences are:

	31.3.04 £	31.3.03 £
Loss on ordinary activities at the standard rate of 30%	(169)	(3,225)
Creation of tax losses	<u>169</u>	<u>3,225</u>
	<u>-</u>	<u>-</u>

There are tax losses carried forward of £1,300. A deferred tax asset of £394 has been recognised in respect of these.

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004**

5. TANGIBLE FIXED ASSETS

	Freehold Investment Property £
COST	
At 1 April 2003 and 31 March 2004	<u>1,500,000</u>
NET BOOK VALUE	
At 31 March 2004	<u>1,500,000</u>
At 31 March 2003	<u>1,500,000</u>

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

	31.3.04 £	31.3.03 £
Deferred tax	394	-
VAT	<u>88</u>	<u>91,000</u>
	<u>482</u>	<u>91,000</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.04 £	31.3.03 £
Amounts owed to group undertakings	520,701	610,998
Other creditors (note 9)	980,000	980,000
Accruals and deferred income	<u>10,697</u>	<u>10,750</u>
	<u>1,511,398</u>	<u>1,601,748</u>

8. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.04 £	31.3.03 £
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.04 £	31.3.03 £
2	Ordinary	£1	<u>2</u>	<u>2</u>

**PORT GLASGOW PROPERTY INVESTMENTS
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 March 2004**

9. RESERVES

	Profit and loss account £
At 1 April 2003	(10,750)
Loss for the year	<u>(168)</u>
At 31 March 2004	<u>(10,918)</u>

10. RELATED PARTY DISCLOSURES

During the year Ashflame Properties Limited, the company's ultimate parent undertaking, advanced an interest free loan to the company. At 31 March 2004, the company owed £520,701 (2003: £610,998).

At 31 March 2004 the company owed J J Gallagher Limited £980,000 in relation to the purchase of land in a previous year (2003: £980,000). This amount has no fixed payment date. J J Gallagher Limited is a company controlled by Mr A C Gallagher.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.3.04 £	31.3.03 £
Loss for the financial year	(168)	(10,750)
Issue of share capital	<u>-</u>	<u>2</u>
Net reduction of shareholders' funds	(168)	(10,748)
Opening shareholders' funds	<u>(10,748)</u>	<u>-</u>
Closing shareholders' funds	<u>(10,916)</u>	<u>(10,748)</u>
Equity interests	<u>(10,916)</u>	<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 the majority of the issued share capital of the ultimate parent undertaking.