

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE PERIOD 23 JUNE 2005 TO 31 JULY 2005
FOR
ASHFLAME PORT GLASGOW LIMITED
5489803**



CONTENTS OF THE FINANCIAL STATEMENTS
for the period 23 June 2005 to 31 July 2005

	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

ASHFLAME PORT GLASGOW LIMITED

COMPANY INFORMATION

for the period 23 June 2005 to 31 July 2005

DIRECTORS:

A C Gallagher
G H Gosling

SECRETARY:

S A Burnett

REGISTERED OFFICE:

15 Hockley Court
Hockley Heath
Solihull
West Midlands
B94 6NW

REGISTERED NUMBER:

5489803 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

ASHFLAME PORT GLASGOW LIMITED

REPORT OF THE DIRECTORS for the period 23 June 2005 to 31 July 2005

The directors present their report with the audited financial statements of the company for the period 23 June 2005 to 31 July 2005.

INCORPORATION

The company was incorporated on 23 June 2005.

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.

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

DIVIDENDS

No dividends will be distributed for the period ended 31 July 2005.

DIRECTORS

The directors during the period under review were:

A C Gallagher	- appointed 23.6.05
G H Gosling	- appointed 23.6.05

The directors holding office at 31 July 2005 did not hold any direct beneficial interest in the issued share capital of the company at date of appointment or 31 July 2005.

The interests of the directors in the share capital of the parent company are shown in the financial statements of that company.

The initial director Wildman & Battell Limited resigned on 23 June 2005.

Both the directors, being eligible, offer themselves for election at the forthcoming first Annual General Meeting.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of credit, liquidity and interest rate risks. The directors actively monitor these risks and the potential costs.

The credit rating of property tenants is regularly assessed and changes in the risk profile are managed.

The company utilises a mixture of bank and group funding designed to ensure it has sufficient working capital available. Floating interest rates are reviewed and swapped for fixed rates where appropriate to reduce exposure to adverse interest rate fluctuations.

ASHFLAME PORT GLASGOW LIMITED

REPORT OF THE DIRECTORS

for the period 23 June 2005 to 31 July 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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.

So far as the directors are aware, there is no relevant information of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

30 May 2006

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASHFLAME PORT GLASGOW LIMITED

We have audited the financial statements of Ashflame Port Glasgow Limited for the period ended 31 July 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 into 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

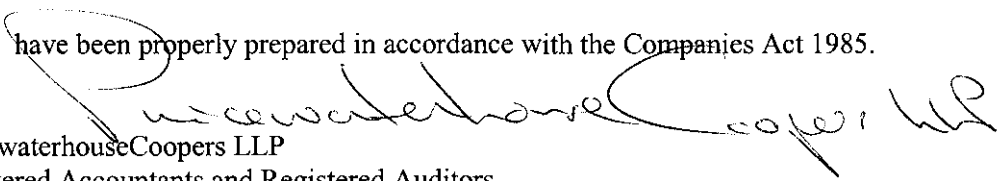
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2005 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

30 May 2006

ASHFLAME PORT GLASGOW LIMITED

PROFIT AND LOSS ACCOUNT

for the period 23 June 2005 to 31 July 2005

	Notes	£
TURNOVER		-
Cost of sales		<u>-</u>
GROSS LOSS		-
Administrative expenses		<u>(11,211)</u>
OPERATING LOSS	3	(11,211)
Interest receivable and similar income		<u>11</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,200)
Tax on loss on ordinary activities	4	<u>147</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		<u>(11,053)</u>
LOSS FOR THE PERIOD	9	<u>(11,053)</u>

CONTINUING OPERATIONS

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


ASHFLAME PORT GLASGOW LIMITED

BALANCE SHEET

31 July 2005

	Notes	£
FIXED ASSETS		
Tangible assets	5	7,048,588
CURRENT ASSETS		
Debtors	6	6,849,261
Cash at bank		<u>10,013</u>
		6,859,274
CREDITORS		
Amounts falling due within one year	7	<u>(13,918,913)</u>
NET CURRENT LIABILITIES		<u>(7,059,639)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>(11,051)</u></u>
CAPITAL AND RESERVES		
Called up share capital	8	2
Profit and loss account	9	<u>(11,053)</u>
SHAREHOLDERS' DEFICIT	11	<u><u>(11,051)</u></u>

ON BEHALF OF THE BOARD:


.....
G H Gosling - Director

Approved by the Board on 30 May 2006

The notes form part of these financial statements

ASHFLAME PORT GLASGOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the period 23 June 2005 to 31 July 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets 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.

Turnover

Turnover represents the rental income receivable, service charges and other recoveries from investment properties in the United Kingdom.

In circumstances where a tenant has been given an incentive to enter into a lease by way of a payment, the incentive is treated as a reduction in rental income. The incentive is amortised on a straight-line basis over the period from term commencement to the date of the first rent review, in accordance with UITF 28. Where an incentive is given to a tenant by way of a rent free period, the total rental income receivable for the period to the first rent review is recognised on a straight-line basis from term commencement to the date of the first rent review, in accordance with UITF 28.

Cost of sales

Cost of sales represents expenses relating to the servicing of property and collection of rental income.

Investment properties

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 on a non-discounted basis 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 July 2005 the company had net current liabilities, net liabilities and made a loss for the period, the accounts have been prepared on a going concern basis as the company has received confirmation of financial support from the parent company.

ASHFLAME PORT GLASGOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the period 23 June 2005 to 31 July 2005

2. STAFF COSTS

There were no staff costs for the period ended 31 July 2005.

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

Directors	<u>2</u>
-----------	----------

3. OPERATING LOSS

The operating loss is stated after charging:

Auditors' remuneration	£ <u>500</u>
------------------------	-----------------

Directors' emoluments	<u>-</u>
-----------------------	----------

4. TAXATION

Analysis of the tax credit

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

	£
Current tax:	
Group relief	<u>(147)</u>
Tax on loss on ordinary activities	<u>(147)</u>

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 period at 30%	(3,360)
Expenses not deductible for tax purposes	<u>3,213</u>
	<u>(147)</u>

The amount of tax which would become payable in the event of a sale of the investment property at its book value is approximately £500,000. No deferred tax provision has been made as there is no commitment to sell the property.

ASHFLAME PORT GLASGOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the period 23 June 2005 to 31 July 2005

5. TANGIBLE FIXED ASSETS

	Freehold investment property £
COST	
Additions	<u>7,048,588</u>
At 31 July 2005	<u>7,048,588</u>
NET BOOK VALUE	
At 31 July 2005	<u><u>7,048,588</u></u>

On 18 July 2005, Ashflame Port Glasgow Limited purchased the freehold investment property from Port Glasgow Property Investments Limited, its parent undertaking for £5,000,000 on an arm's length basis. The company has also been invoiced for further construction costs of £8,000,000 by Gallagher Projects Limited, a company controlled by Mr A C Gallagher. £5,953,000 has been prepaid at 31 July 2005 as it relates to work not completed at that date.

The above assets represent land and construction costs for a retail park currently being constructed which will be held for letting.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Prepayments	5,953,000
Other debtors	21,261
VAT recoverable	<u>875,000</u>
	<u><u>6,849,261</u></u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£
Amounts owed to group undertakings	13,031,114
Other creditors	500
Accruals and deferred income	<u>887,299</u>
	<u><u>13,918,913</u></u>

ASHFLAME PORT GLASGOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the period 23 June 2005 to 31 July 2005

8. CALLED UP SHARE CAPITAL

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

The following shares were allotted and fully paid for cash at par during the period:

2 Ordinary shares of £1 each

9. RESERVES

	Profit and loss account £
Loss for the period	<u>(11,053)</u>
At 31 July 2005	<u>(11,053)</u>

10. RELATED PARTY DISCLOSURES

At 31 July 2005, Ashflame Port Glasgow Limited owed £13,031,114 to Ashflame Property Investments Limited. The loan was interest free.

The company has taken advantage of the exemption in FRS8 not to disclose transactions with other group companies, whilst it remained a wholly owned subsidiary within a consolidated group.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Loss for the financial period	(11,053)
Issue of shares	<u>2</u>
Net reduction of shareholders' funds	(11,051)
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>(11,051)</u>
Equity interests	<u>(11,051)</u>

ASHFLAME PORT GLASGOW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the period 23 June 2005 to 31 July 2005

12. CONTROLLING PARTY

Ashflame Port Glasgow Limited is a wholly owned subsidiary of Port Glasgow Property Investments Limited (incorporated in England and Wales). At 31 July 2005 Port Glasgow Property Investments Limited was controlled by Ashflame Property Investments Limited, (incorporated in England and Wales) its ultimate parent undertaking. Subsequent to the year end Ashflame Property Investments Limited was acquired by Ashflame Investments Limited (incorporated in England and Wales).

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 both Ashflame Property Investments Limited and then Ashflame Investments Limited.