

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007
FOR
ASHFLAME LINWOOD LIMITED
5489807**

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ASHFLAME LINWOOD LIMITED

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ASHFLAME LINWOOD LIMITED

COMPANY INFORMATION
for the year ended 31 March 2007

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:

5489807 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

ASHFLAME LINWOOD LIMITED

REPORT OF THE DIRECTORS for the year ended 31 March 2007

The directors present their report with the audited financial statements of the company for the year ended 31 March 2007

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

The company owns a retail park. At 31 March 2007 the retail park was almost fully let and the investment was trading profitably. Both the results for the year, and the year end financial position were satisfactory. The directors consider future prospects to be satisfactory.

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to changes in the UK property investment market, movements in property rental yield and changes to UK interest rates. Further information is provided in the Ashflame Investments group's annual report which does not form part of this report.

Given the nature of the business as disclosed in these financial statements, where maximising rental income and the capital values of its investment property represents the key objectives, the company's directors are of the opinion that analysis using additional KPIs is not necessary for understanding the performance or position of the business.

DIVIDENDS

No dividends were paid in the year ended 31 March 2007 (period ended 31 March 2006: £nil)

DIRECTORS

The directors during the year under review were

A C Gallagher
G H Gosling

The directors holding office at 31 March 2007 did not hold any direct beneficial interest in the issued share capital of the company at 1 April 2006 or 31 March 2007.

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

ASHFLAME LINWOOD LIMITED

REPORT OF THE DIRECTORS for the year ended 31 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself 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
29 November 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASHFLAME LINWOOD LIMITED

We have audited the financial statements of Ashflame Linwood Limited for the year ended 31 March 2007 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

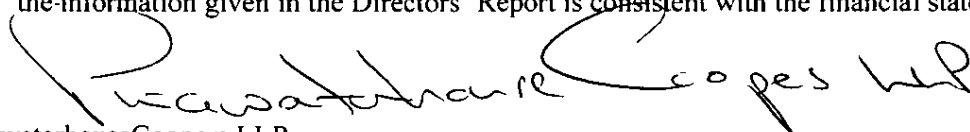
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
5 December 2007

ASHFLAME LINWOOD LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2007

		Year Ended 31 3 07 £	Period 1 8 05 to 31 3 06 £
	Notes		
TURNOVER		1,512,782	974,267
Cost of sales		<u>(194,772)</u>	<u>(105,521)</u>
GROSS PROFIT		1,318,010	868,746
Administrative expenses		<u>(31,833)</u>	<u>(30,715)</u>
OPERATING PROFIT	3	1,286,177	838,031
Interest receivable and similar income	4	<u>25,928</u>	<u>32,397</u>
		1,312,105	870,428
Interest payable and similar charges	5	<u>(1,164,136)</u>	<u>(775,425)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		147,969	95,003
Tax on profit on ordinary activities	6	<u>(44,394)</u>	<u>(27,579)</u>
PROFIT FOR THE FINANCIAL YEAR/ PERIOD AFTER TAXATION	13	<u>103,575</u>	<u>67,424</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 profits 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

ASHFLAME LINWOOD LIMITED

BALANCE SHEET 31 March 2007

	Notes	31 3 07 £	31 3 06 £
FIXED ASSETS			
Tangible assets	7	28,201,962	27,980,735
CURRENT ASSETS			
Debtors	8	59,180	47,083
Cash at bank		<u>457,662</u>	<u>846,898</u>
		516,842	893,981
CREDITORS			
Amounts falling due within one year	9	<u>(12,931,042)</u>	<u>(13,251,641)</u>
NET CURRENT LIABILITIES		<u>(12,414,200)</u>	<u>(12,357,660)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,787,762	15,623,075
CREDITORS			
Amounts falling due after more than one year	10	(15,600,000)	(15,550,000)
PROVISIONS FOR LIABILITIES	11	<u>(20,992)</u>	<u>(9,880)</u>
NET ASSETS		<u><u>166,770</u></u>	<u><u>63,195</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	<u>166,768</u>	<u>63,193</u>
SHAREHOLDERS' FUNDS	15	<u><u>166,770</u></u>	<u><u>63,195</u></u>

The financial statements were approved by the Board of Directors on 29 November 2007 and were signed on its behalf by


G H Gosling - Director

The notes form part of these financial statements

ASHFLAME LINWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2007

1 ACCOUNTING POLICIES

Accounting convention

These accounts are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies are 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.

Amortisation of loan issue costs

Costs incurred in respect of obtaining loan finance are included in other debtors and the costs are amortised over the period of repayment of the loan in proportion to the outstanding loan.

ASHFLAME LINWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2007

2 STAFF COSTS

There were no direct staff costs for the year ended 31 March 2007 (period to 31 March 2006 none) However, £30,284 (period ended 31 March 2006 £28,588) was payable to J J Gallagher Limited, a related company, for the service of individuals who had performed work on behalf of Ashflame Linwood Limited

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

	Year Ended 31 3 07	Period 1 8 05 to 31 3 06
Directors	<u>2</u>	<u>2</u>

3 OPERATING PROFIT

The operating profit is stated after charging

	Year Ended 31 3 07 £	Period 1 8 05 to 31 3 06 £
Auditors' remuneration	<u>1,500</u>	<u>2,100</u>
Directors' emoluments	<u>-</u>	<u>-</u>

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 3 07 £	Period 1 8 05 to 31 3 06 £
Deposit account interest	25,928	10,687
Interest receivable on loans to related undertakings	<u>-</u>	<u>21,710</u>
	<u>25,928</u>	<u>32,397</u>

ASHFLAME LINWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2007

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 3 07 £	Period 1 8 05 to 31 3 06 £
Bank interest	967,818	633,521
Interest payable on loans from group undertakings	194,554	137,789
Amortisation of loan issue costs	<u>1,764</u>	<u>4,115</u>
	<u>1,164,136</u>	<u>775,425</u>

6 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year/period at 30% was as follows

	Year Ended 31 3 07 £	Period 1 8 05 to 31 3 06 £
Current tax		
Group relief	33,282	19,627
Group relief prior year	<u>-</u>	<u>(546)</u>
Total current tax	33,282	19,081
Deferred tax – timing differences	<u>11,112</u>	<u>8,498</u>
Tax on profit on ordinary activities	<u>44,394</u>	<u>27,579</u>

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

	Year Ended 31 3 07 £	Period 1 8 05 to 31 3 06 £
Profit on ordinary activities at the standard rate of 30%	44,391	28,501
Expenses not deductible for tax purposes	3	-
Capital allowances in excess of depreciation	(11,112)	(8,874)
Prior year adjustment	<u>-</u>	<u>(546)</u>
	<u>33,282</u>	<u>19,081</u>

The amount of tax which would become payable in the event of a sale of the investment properties at their book value is £1.3 million (31 March 2006: £1.4 million). No deferred tax provision has been made as there is no commitment to sell the properties.

ASHFLAME LINWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2007

7 TANGIBLE FIXED ASSETS

	Long leasehold investment properties £
COST	
At 1 April 2006	27,980,735
Additions	<u>221,227</u>
At 31 March 2007	<u>28,201,962</u>
NET BOOK VALUE	
At 31 March 2007	<u>28,201,962</u>
At 31 March 2006	<u>27,980,735</u>

The above assets are held for letting

8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 3 07 £	31 3 06 £
Trade debtors	28,492	8,226
Other debtors	<u>30,688</u>	<u>38,857</u>
	<u>59,180</u>	<u>47,083</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 3 07 £	31 3 06 £
Bank loan	-	50,000
Trade creditors	29,591	172
Amounts owed to group undertakings	12,419,951	12,652,780
VAT payable	-	64,281
Accruals and deferred income	<u>481,500</u>	<u>484,408</u>
	<u>12,931,042</u>	<u>13,251,641</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 3 07 £	31 3 06 £
Bank loan	<u>15,600,000</u>	<u>15,550,000</u>

ASHFLAME LINWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2007

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued

The bank loan is on normal commercial terms and is secured by way of a fixed and floating charge over the assets of the company. Associated interest is payable on the loan at a variable rate of 1.15% over LIBOR with a swap to a fixed LIBOR rate of 5% in respect of £12,500,000 of the loan. The loan was renegotiated during the year and is now repayable in full in November 2010.

	31 3 07	31 3 06
	£	£
Within one year	-	50,000
In 1 to 2 years	-	200,000
In 2 - 5 years	<u>15,600,000</u>	<u>15,350,000</u>
	<u>15,600,000</u>	<u>15,600,000</u>

11 PROVISIONS FOR LIABILITIES

	31 3 07	31 3 06
	£	£
Deferred tax		
Tax effect of timing differences due to		
Excess of capital allowances		
over depreciation	<u>20,992</u>	<u>9,880</u>

		Deferred tax £
Balance at 1 April 2006		9,880
Charged to the profit and loss account		<u>11,112</u>
Balance at 31 March 2007		<u>20,992</u>

12 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value £1	31 3 07 £	31 3 06 £
1,000	Ordinary		<u>1,000</u>	<u>1,000</u>

Allotted, issued and fully paid Number	Class	Nominal value £1	31 3 07 £	31 3 06 £
2	Ordinary		<u>2</u>	<u>2</u>

ASHFLAME LINWOOD LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2007

13 RESERVES

	Profit and loss account £
At 1 April 2006	63,193
Profit for the year	<u>103,575</u>
At 31 March 2007	<u>166,768</u>

14 RELATED PARTY DISCLOSURES

At 31 March 2007, Ashflame Linwood Limited owed £12,419,951 (2006 £12,652,780) to Ashflame Investments Limited. Under the loan agreement interest is only payable on a proportion of the loan (£3,115,000 as at inception) at 1% over the Bank of England base rate. The remainder of the loan is interest free.

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 3 07 £	31 3 06 £
Profit for the financial year/period	<u>103,575</u>	<u>67,424</u>
Net addition to shareholders' funds	103,575	67,424
Opening shareholders' funds/deficit	<u>63,195</u>	<u>(4,229)</u>
Closing shareholders' funds	<u>166,770</u>	<u>63,195</u>

16 CONTROLLING PARTY

Ashflame Linwood Limited is a wholly owned subsidiary of Linwood Property Investments Limited (incorporated in England and Wales). Linwood Property Investments Limited is controlled by Ashflame Investments 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 Ashflame Investments Limited.