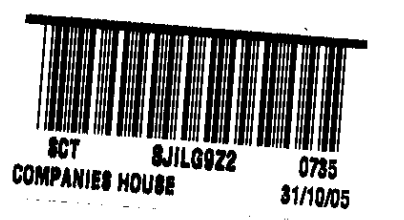


**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004  
FOR**

**ASHFORD ESTATES LIMITED**

172382.



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FOR THE YEAR ENDED 31 DECEMBER 2004**

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**ASHFORD ESTATES LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**DIRECTORS:**

E R Smith  
A R Smith  
C E Smith

**SECRETARY:**

MBM Secretarial Services Limited

**REGISTERED OFFICE:**

107 George Street  
Edinburgh  
EH2 3ES

**REGISTERED NUMBER:**

SC172382

**AUDITORS:**

LWC Audit Limited  
Registered Auditor  
18 Greenside Lane  
Edinburgh  
EH1 3AH

**BANKERS:**

Bank of Scotland  
38 St Andrew Square  
Edinburgh  
EH2 2YR

**SOLICITORS:**

MBM Commercial LLP  
107 George Street  
Edinburgh  
EH2 3ES

## **ASHFORD ESTATES LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004**

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

#### **PRINCIPAL ACTIVITY**

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

#### **DIRECTORS**

The directors during the year under review were:

E R Smith  
A R Smith  
C E Smith

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

The directors are also directors of the ultimate parent undertaking; Ashford Property Group Limited and their interests are disclosed in the financial statements 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.

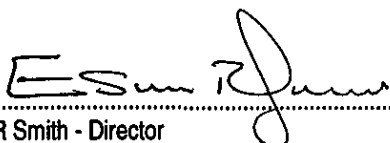
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

#### **AUDITORS**

LWC Audit Limited will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

#### **ON BEHALF OF THE BOARD:**

  
.....  
E R Smith - Director

Date: 28 October 2005



LWC Audit Limited  
18 Greenside Lane Edinburgh EH1 3AH  
Tel. 0131 523 1130 Fax. 0131 523 1140  
E-mail info@lwc.co.uk

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ASHFORD ESTATES LIMITED**

We have audited the financial statements of Ashford Estates Limited for the year ended 31 December 2004 on pages four to eleven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Directors 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 with the company is not disclosed.

We read the Report of the Directors 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 United Kingdom 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 as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LWC Audit Limited  
Registered Auditor  
18 Greenside Lane  
Edinburgh  
EH1 3AH

Date: 28 October 2005

**ASHFORD ESTATES LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2004**

		<u>31/12/04</u>	<u>31/12/03</u>
	Notes	£	£
<b>TURNOVER</b>		366,676	329,420
Administrative expenses		<u>36,319</u>	<u>30,511</u>
<b>OPERATING PROFIT</b>	2	330,357	298,909
Interest receivable and similar income		<u>29,568</u>	<u>1,359</u>
		359,925	300,268
Interest payable and similar charges		<u>256,577</u>	<u>193,494</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		103,348	106,774
Tax on profit on ordinary activities	3	<u>-</u>	<u>38,303</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		103,348	68,471
Retained profit brought forward		<u>447,585</u>	<u>379,114</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u>£550,933</u>	<u>£447,585</u>

The notes form part of these financial statements

**ASHFORD ESTATES LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<u>31/12/04</u>	<u>31/12/03</u>
	£	£
<b>PROFIT FOR THE FINANCIAL YEAR</b>	103,348	68,471
Revaluation of Investment Properties	<u>557,209</u>	<u>-</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<u>£660,557</u>	<u>£68,471</u>

The notes form part of these financial statements

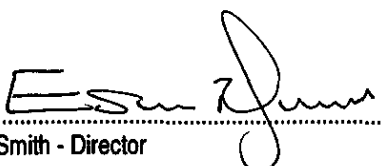
**ASHFORD ESTATES LIMITED**

**BALANCE SHEET  
31 DECEMBER 2004**

		<u>31/12/04</u>		<u>31/12/03</u>	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Tangible assets	4		7,102,331		5,348,232
<b>CURRENT ASSETS:</b>					
Debtors	5	1,146,153		240,033	
Cash at bank		<u>86,893</u>		<u>64,984</u>	
		1,233,046		305,017	
<b>CREDITORS: Amounts falling due within one year</b>	6	<u>411,325</u>		<u>810,374</u>	
<b>NET CURRENT ASSETS/(LIABILITIES):</b>			<u>821,721</u>		<u>(505,357)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			7,924,052		4,842,875
<b>CREDITORS: Amounts falling due after more than one year</b>	7		(5,410,206)		(2,989,586)
<b>PROVISIONS FOR LIABILITIES AND CHARGES:</b>	9		<u>(79,316)</u>		<u>(79,316)</u>
			<u>£2,434,530</u>		<u>£1,773,973</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	10		2		2
Revaluation reserve	11		1,883,595		1,326,386
Profit and loss account			<u>550,933</u>		<u>447,585</u>
<b>SHAREHOLDERS' FUNDS:</b>			<u>£2,434,530</u>		<u>£1,773,973</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

**ON BEHALF OF THE BOARD:**

  
 .....  
 E R Smith - Director

Approved by the Board on 28 October 2005



## ASHFORD ESTATES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

#### 1. ACCOUNTING POLICIES

##### Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

##### Turnover

Turnover represents income from property rental, excluding value added tax.

##### Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Motor vehicles	- 25% on reducing balance
----------------	---------------------------

##### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

##### Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

##### Investment Properties

In accordance with SSAP19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve.

No depreciation or amortisation is provided in respect of freehold investment properties. This is a departure from the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation of properties and accordingly, the amount which might otherwise have been charged cannot be separately identified. The directors consider that this policy results in the accounts showing a true and fair view.

#### 2. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31/12/04	31/12/03
	£	£
Depreciation - assets on hire purchase contracts or finance leases	735	981
Profit on disposal of fixed assets	(1)	-
Auditors' remuneration	<u>2,150</u>	<u>1,800</u>
Directors' emoluments	-	-

**ASHFORD ESTATES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**3. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	31/12/04 £	31/12/03 £
Deferred taxation	-	38,303
Tax on profit on ordinary activities	-	38,303

**4. TANGIBLE FIXED ASSETS**

	Investment property	Asset in course of construction	Motor vehicles	Totals
	£	£	£	£
<b>COST OR VALUATION:</b>				
At 1 January 2004	5,345,291	-	16,530	5,361,821
Additions	-	1,197,625	-	1,197,625
Surplus on revaluation	557,209	-	-	557,209
At 31 December 2004	5,902,500	1,197,625	16,530	7,116,655
<b>DEPRECIATION:</b>				
At 1 January 2004	-	-	13,589	13,589
Charge for year	-	-	735	735
At 31 December 2004	-	-	14,324	14,324
<b>NET BOOK VALUE:</b>				
At 31 December 2004	5,902,500	1,197,625	2,206	7,102,331
At 31 December 2003	5,345,291	-	2,941	5,348,232

Cost or valuation at 31 December 2004 is represented by:

	Investment property	Asset in course of construction	Motor vehicles	Totals
	£	£	£	£
Valuation	1,883,595	-	-	1,883,595
Cost	4,018,905	1,197,625	16,530	5,233,060
	5,902,500	1,197,625	16,530	7,116,655

If Investment Properties had not been revalued they would have been included at the following historical cost:

	31/12/04 £	31/12/03 £
Cost	4,018,905	4,018,905

In the opinion of the directors, the open market value of the properties is not materially different at 31 December 2004.

**ASHFORD ESTATES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

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

	31/12/04 £	31/12/03 £
Trade debtors	10,836	-
Other debtors	29,568	-
Prepayments	3,238	-
Amounts owed by related companies	893,285	240,033
Amounts owed by group companies	<u>209,226</u>	<u>-</u>
	<u>1,146,153</u>	<u>240,033</u>

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

	31/12/04 £	31/12/03 £
Bank loans	266,000	731,651
Trade creditors	4,421	5,443
Social security & other taxes	8,729	6,418
Accrued expenses	<u>132,175</u>	<u>66,862</u>
	<u>411,325</u>	<u>810,374</u>

**7. CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	31/12/04 £	31/12/03 £
Bank loans	<u>5,410,206</u>	<u>2,989,586</u>

Analysis of repayments:

	£	£
Within one year	266,000	731,651
Between one and two years	532,000	274,640
Between two and five years	4,878,206	1,957,973
After five years	-	756,973

**ASHFORD ESTATES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**8. SECURED DEBTS**

The following secured debts are included within creditors:

	31/12/04	31/12/03
	£	£
Bank loans	<u>5,676,200</u>	<u>3,721,237</u>

The loan facility is available for a 6 year period and bears interest at base rate plus 1%. The company has a 12 month moratorium and the facility is repaid in equal instalments over a 5 year period.

The bank loans are secured by a standard security over the freehold investment properties and assets in course of construction included within tangible fixed assets.

The bank also has rental assignation over the investment properties.

**9. PROVISIONS FOR LIABILITIES AND CHARGES**

	31/12/04	31/12/03
	£	£
Deferred taxation	<u>79,316</u>	<u>79,316</u>
	Deferred tax	
	£	
Balance at 1 January 2004	<u>79,316</u>	
Balance at 31 December 2004	<u>79,316</u>	

**10. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	31/12/04	31/12/03
			£	£
100	Ordinary Share Capital	£1	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31/12/04	31/12/03
			£	£
2	Ordinary Share Capital	£1	<u>2</u>	<u>2</u>

**11. REVALUATION RESERVE**

	31/12/04	31/12/03
	£	£
Brought forward	1,326,386	1,326,386
Surplus on revaluation in the year	<u>557,209</u>	<u>-</u>
	<u>1,883,595</u>	<u>1,326,386</u>

## **ASHFORD ESTATES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

#### **12. ULTIMATE PARENT COMPANY**

The ultimate parent company is Ashford Property Group Limited, a company registered in Scotland and controlled by E R Smith.

#### **13. CONTINGENT LIABILITIES**

During the year, the company provided a cross guarantee for the bank loans and overdrafts of the group companies. The total amounts due by group companies to the company's bankers was £110,910 (2003: £1,560,583).

#### **14. RELATED PARTY DISCLOSURES**

Amounts owed by group companies, included within debtors (note 5) represents £209,226 (2003: £nil) due by Ashford Property Limited. Both companies are subsidiaries of Ashford Property Group Limited and E R Smith and A R Smith are directors of both companies.

Included within debtors (note 5) are amounts due from Ashford Investments LLP of £505,059 (2003: £188,000), Ashford and Thistle Investments LLP of £336,193 (2003: £nil) and High Street Securities LLP of £52,033 (2003: £52,033). E R Smith is a Member of Ashford Investments LLP, Ashford and Thistle Investments LLP and High Street Securities LLP. The balances represent amounts advanced to the respective LLP's in the year, which are unsecured and repayable on demand. Interest accrued on these balances amounted to £29,568 (2003: £nil).

During the year a property was transferred from Ashford Property Limited to Ashford Estates Limited at the value of £800,000, the market value at 31 January 2004 plus additional consideration of £175,913, representing the value of work done to the property between 1 January 2004 and the date of transfer. Ashford Property Limited provided further property development services to Ashford Estates Limited in respect of the property transferred. At the year end, the accounts include an accrual of £212,416 in respect of this work.