

COMPANY NO: 2109028

CORNLODGE PROPERTIES LIMITED

ANNUAL REPORT

Year ended 31 December 2004



CONTENTS

| | PAGE |
|--|------|
| COMPANY INFORMATION | 1 |
| REPORT OF THE DIRECTORS | 2 |
| INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS | 3 |
| PROFIT AND LOSS ACCOUNT | 4 |
| BALANCE SHEET | 5 |
| NOTES TO THE FINANCIAL STATEMENTS | 6 |

COMPANY INFORMATION

| | |
|-------------------|--|
| Directors | Marc Gilbard Graham Stanley Graham Sidwell |
| Company Secretary | Timothy Sanderson |
| Registered office | Premier House 44-48 Dover Street London W1S 4NX |
| Registered number | 2109028 |
| Auditors | RSM Robson Rhodes LLP Chartered Accountants 186 City Road London EC1V 2NU |
| Bankers | Lloyds TSB Bank Plc 1 Hay's Lane London SE1 2HA |

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activities

The principal activities of the Company are property development and trading.

Results

The results for the year ended 31 December 2004 are set out in the Profit & Loss Account on page 4. The directors do not recommend the payment of a dividend (2003: £nil).

Directors

The present directors of the Company are set out on page 1. The directors served throughout the year.

Directors interests

None of the directors had an interest in the shares of the Company. The directors' interests in the shares of the ultimate parent company are shown in the financial statements of that company.

Ultimate parent undertaking

The ultimate parent undertaking is Stessa Holdings Limited which is incorporated in England and Wales.

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with Company law in the United Kingdom.

Auditors

The auditors, RSM Robson Rhodes LLP, are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors was approved by the Board on 31 March 2005 and signed on its behalf by:



Timothy Sanderson
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CORNLODGE PROPERTIES LIMITED

We have audited the financial statements on pages 4 to 8.

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 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 with the Company is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

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 affairs of the Company 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.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
31 March 2005

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

| | Note | 2004 £'000 | 2003 £'000 |
|--|------|---------------|---------------|
| Turnover | 1 | 3,113 | 503 |
| Cost of sales | | (2,426) | (387) |
| | | <hr/> | <hr/> |
| Gross profit | | 687 | 116 |
| Administrative expenses | | (559) | (92) |
| | | <hr/> | <hr/> |
| Operating profit | | 128 | 24 |
| Interest receivable | 2 | 81 | 44 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 209 | 68 |
| Taxation | 3 | - | - |
| | | <hr/> | <hr/> |
| Retained profit for the year | 7 | 209 | 68 |
| | | <hr/> | <hr/> |

All activities are continuing activities.

There were no recognised gains or losses other than those shown above.


The notes on pages 6 to 8 form part of these financial statements

BALANCE SHEET

at 31 December 2004

| | Note | 2004 £'000 | 2003 £'000 |
|--|------|---------------|---------------|
| Current assets | | | |
| Debtors | 4 | 232 | 657 |
| Cash at bank and in hand | | - | - |
| | | <hr/> | <hr/> |
| | | 232 | 657 |
| Creditors: Amounts falling due within on year | 5 | - | (634) |
| | | <hr/> | <hr/> |
| Net assets | | 232 | 23 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 6 | 1,500 | 1,500 |
| Profit and loss account | 7 | (1,268) | (1,477) |
| | | <hr/> | <hr/> |
| Equity shareholders' funds | 8 | 232 | 23 |
| | | <hr/> | <hr/> |

The financial statements were approved by the Board on 31 March 2005 and signed on its behalf by:



Graham Sidwell
Director

The notes of pages 6 to 8 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

1. ACCOUNTING POLICIES**Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The Company is exempt from publishing a cash flow statement because it is ultimately a wholly owned subsidiary of Stessa Holdings Limited which publishes a consolidated cash flow statement.

Turnover

Turnover comprises rental income and gross sale proceeds of trading properties, excluding VAT. In the case of long term contracts, turnover represents the sales value of work done during the year, including estimates in respect of amounts not invoiced.

Long term contracts

Long term contracts are stated at cost plus attributable profit after providing for anticipated future losses and contingencies. Progress payments received are deducted from these amounts. Cost includes appropriate attributable overheads. Long-term contract work in progress is included in debtors as amounts recoverable on contracts.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences in the treatment of certain items for taxation and accounting purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Going concern

The financial statements have been prepared on the going concern basis due to the ongoing support being provided by the ultimate parent undertaking Stessa Holdings Limited.

2. INTEREST RECEIVABLE

| | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|
| Amounts receivable from group companies | 81 | 44 |

3. TAXATION

| | 2004 £'000 | 2003 £'000 |
|---------------------------------------|---------------|---------------|
| United Kingdom Corporation Tax | | |
| Current tax on income for the year | - | - |
| Deferred taxation | - | - |
| Total taxation | - | - |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

3. TAXATION (continued)

Current tax reconciliation

| | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before taxation | 209 | 68 |
| Theoretical tax at UK corporation tax rate 30% (2003: 30%) | 63 | 20 |
| - effects of group relief | (63) | (20) |
| Actual current taxation charge | - | - |

4. DEBTORS

| | 2004 £'000 | 2003 £'000 |
|------------------------------------|---------------|---------------|
| Amounts recoverable on contracts | - | 375 |
| Amounts owed by group undertakings | 232 | 282 |
| | 232 | 657 |

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2004 £'000 | 2003 £'000 |
|-------------------------------|---------------|---------------|
| Trade creditors | - | 239 |
| Other tax and social security | - | 20 |
| Accruals | - | 375 |
| | - | 634 |

6. CALLED UP SHARE CAPITAL

| | 2004 £ | 2003 £ |
|-----------------------------------|-----------|-----------|
| Authorised, issued and fully paid | | |
| Ordinary shares of £1 each | 1,500,100 | 1,500,100 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

7. PROFIT AND LOSS ACCOUNT

| | £'000 |
|---------------------|--------------|
| At 1 January 2004 | (1,477) |
| Profit for the year | 209 |
| | <hr/> |
| At 31 December 2004 | (1,268) |
| | <hr/> <hr/> |

8. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

| | 2004 £'000 | 2003 £'000 |
|-------------------------------------|-----------------------|-----------------------|
| Total recognised gains for the year | 209 | 68 |
| Opening shareholders' funds | 23 | (45) |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 232 | 23 |
| | <hr/> <hr/> | <hr/> <hr/> |

9. ULTIMATE PARENT UNDERTAKING

The ultimate parent company is Stessa Holdings Limited, which is registered in England and Wales.

Group accounts are available to the public on payment of the appropriate fee, from Companies House, Crown Way, Maindy, Cardiff, CF14, 3UZ.

10. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose inter-company related party transactions on the grounds that it is a wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements. There are no other related party transactions.