

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003
FOR
ASHFLAME PROPERTIES LIMITED**

2869019



ASHFLAME PROPERTIES LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS for the year ended 31 March 2003

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Statement of Total Recognised Gains and Losses	6
Balance Sheet	7
Notes to the Financial Statements	8

ASHFLAME PROPERTIES LIMITED

COMPANY INFORMATION **for the year ended 31 March 2003**

DIRECTORS: A C Gallagher
G H Gosling

SECRETARY: S A Burnett

REGISTERED OFFICE: Gallagher House
51 Bordesley Green
Birmingham
B9 4QS

REGISTERED NUMBER: 2869019 (England and Wales)

AUDITORS: PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

ASHFLAME PROPERTIES LIMITED

REPORT OF THE DIRECTORS for the year ended 31 March 2003

The directors present their report and the audited financial statements of the company for the year ended 31 March 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property investment and acting as the holding company for the property investment group.

REVIEW OF BUSINESS

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

Both the result 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 2003.

DIRECTORS

The directors during the year under review were:

A C Gallagher
G H Gosling

The beneficial interests of the directors holding office on 31 March 2003 in the issued share capital of the company were as follows:

	31.3.03	1.4.02
Ordinary £1 shares		
A C Gallagher	16,250	16,250
G H Gosling	-	-

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.

ASHFLAME PROPERTIES LIMITED

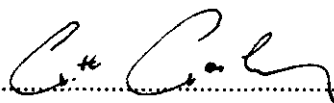
REPORT OF THE DIRECTORS for the year ended 31 March 2003

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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

Date: 29 January 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ASHFLAME PROPERTIES LIMITED

We have audited the financial statements on pages 5 to 14.

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.

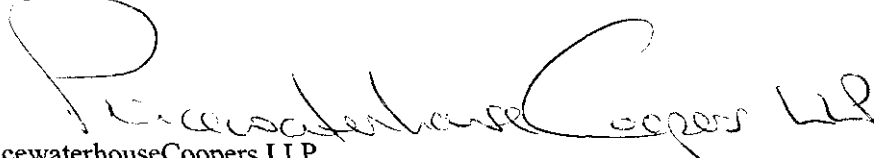
Basis of audit opinion

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 2003 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:

24 January 2004

ASHFLAME PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2003

		Year Ended 31.3.03	Period 1.1.01 to 31.3.02
	Notes	£	£
TURNOVER		-	11,153
Cost of sales		<u>(7,065)</u>	<u>(5,640)</u>
GROSS (LOSS)/PROFIT		(7,065)	5,513
Administrative expenses		<u>(351,746)</u>	<u>(16,074)</u>
OPERATING LOSS	3	(358,811)	(10,561)
Profit on disposal of investment property		<u>-</u>	<u>47,200</u>
		(358,811)	36,639
Interest receivable and similar income		<u>69,511</u>	<u>2,741</u>
		(289,300)	39,380
Interest payable and similar charges	4	<u>(185,332)</u>	<u>(8,858)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(474,632)	30,522
Tax on (loss)/profit on ordinary activities	5	<u>207</u>	<u>(9,434)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(474,425)</u>	<u>21,088</u>
(DEFICIT)/RETAINED PROFIT FOR THE YEAR		<u>(474,425)</u>	<u>21,088</u>

CONTINUING OPERATIONS

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

ASHFLAME PROPERTIES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2003

	Year Ended 31.3.03	Period 1.1.01 to 31.3.02
	£	£
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(474,425)	21,088
Revaluation of Investment Property	<u>-</u>	<u>(15,000)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>(474,425)</u>	<u>6,088</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 31 March 2003

	Year Ended 31.3.03	Period 1.1.01 to 31.3.02
	£	£
REPORTED (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(474,632)	30,522
Realisation of Property Revaluation Gain	<u>15,413</u>	<u>-</u>
HISTORICAL COST (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(459,219)</u>	<u>30,522</u>
HISTORICAL COST (LOSS)/PROFIT FOR THE YEAR RETAINED AFTER TAXATION	<u>(459,012)</u>	<u>21,088</u>

The notes form part of these financial statements

ASHFLAME PROPERTIES LIMITED

BALANCE SHEET

31 March 2003

		31.3.03	31.3.02
	Notes	£	£
FIXED ASSETS			
Tangible assets	6	980,000	80,000
Investments	7	<u>484,238</u>	<u>2</u>
		<u>1,464,238</u>	<u>80,002</u>
CURRENT ASSETS			
Debtors	8	4,422,949	74,156
Cash at bank		<u>3,538</u>	<u>1,865</u>
		4,426,487	76,021
CREDITORS			
Amounts falling due within one year	9	<u>(6,348,479)</u>	<u>(139,352)</u>
NET CURRENT LIABILITIES		<u>(1,921,992)</u>	<u>(63,331)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(457,754)</u>	<u>16,671</u>
CAPITAL AND RESERVES			
Called up share capital	10	16,250	16,250
Revaluation reserve	11	-	15,413
Profit and loss account	11	<u>(474,004)</u>	<u>(14,992)</u>
SHAREHOLDERS' FUNDS	13	<u>(457,754)</u>	<u>16,671</u>

ON BEHALF OF THE BOARD:

.....
G H Gosling - Director

Approved by the Board on 29 January 2004

The notes form part of these financial statements

ASHFLAME PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

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

The financial statements contain information about Ashflame Properties Limited as an individual company and do not contain consolidated information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated accounts as the group it heads qualifies as a small group.

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.

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 SSAP19. 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 March 2003 the company had net liabilities and made a loss for the year, the accounts have been prepared on a going concern basis as the company has received confirmation of financial support from J J Gallagher Limited.

ASHFLAME PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2003

2. STAFF COSTS

There were no direct staff costs for the period ended 31 March 2003. However, £312,500 was charged to the company by J J Gallagher Limited for the service of individuals who had performed work on behalf of Ashflame Properties Limited.

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

Directors	<u>2</u>
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3. OPERATING LOSS

The operating loss is stated after charging:

	Year Ended 31.3.03 £	Period 1.1.01 to 31.3.02 £
Auditors' remuneration	<u>1,000</u>	<u>750</u>
Directors' emoluments	<u>-</u>	<u>-</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31.3.03 £	Period 1.1.01 to 31.3.02 £
Interest on loan from related company	<u>185,332</u>	<u>8,858</u>

ASHFLAME PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2003

5. TAXATION

Analysis of the tax (credit)/charge:

	Year Ended 31.3.03 £	Period 1.1.01 to 31.3.02 £
Current tax:		
UK Corporation Tax at 30%	-	10,000
Prior year over provision	<u>(207)</u>	<u>(566)</u>
	<u>(207)</u>	<u>9,434</u>

The current corporation tax credit (2002: tax charge) differs from the standard UK corporation tax rate of 30% applied to the loss for the year (2002: profit for the period). The differences are:

	Year Ended 31.3.03 £	Period 1.1.01 to 31.3.02 £
(Loss)/Profit for the year at 30%	(142,390)	9,157
Expenses not deductible	-	4,995
Chargeable gains	446	-
Indexation allowance for capital gains	-	(4,152)
Prior year adjustments	(207)	(566)
Corporation tax carried forward	<u>141,944</u>	<u>-</u>
Current tax charge	<u>(207)</u>	<u>9,434</u>

The potential deferred tax asset of £141,944 in respect of the losses carried forward has not been recognised in view of the inherent uncertainty of the future profitability of the business in its early stages.

6. TANGIBLE FIXED ASSETS

	Freehold investment property £
COST OR VALUATION:	
At 1 April 2002	80,000
Additions	980,000
Disposals	<u>(80,000)</u>
At 31 March 2003	<u>980,000</u>
NET BOOK VALUE:	
At 31 March 2003	<u>980,000</u>
At 31 March 2002	<u>80,000</u>

ASHFLAME PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2003

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
COST:			
At 1 April 2002	2	-	2
Addition	<u>484,186</u>	<u>50</u>	<u>484,236</u>
At 31 March 2003	<u>484,188</u>	<u>50</u>	<u>484,238</u>
NET BOOK VALUE:			
At 31 March 2003	<u>484,188</u>	<u>50</u>	<u>484,238</u>
At 31 March 2002	<u>2</u>	<u>-</u>	<u>2</u>

The subsidiary undertakings in which the company holds 100% of the ordinary share capital are:

	Loss for the period ended 31.3.03 £	Net liabilities £
Scunthorpe Property Investments Limited	(10,611)	(10,609)
Port Glasgow Property Investments Limited	(10,750)	(10,748)

Both the companies are engaged in property investment and are registered in England and Wales.

The associate undertakings in which the company holds 50% of the ordinary share capital are:

Islandview Properties Limited	(110,787)	(110,687)
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The company is engaged in property investment and is registered in England and Wales.

West Coast Capital (Kilmarnock) Limited	(768,580)	(768,578)
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The company is engaged in property investment and is registered in Scotland.

ASHFLAME PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2003

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.03	31.3.02
	£	£
Trade debtors	774	774
Amounts owed by group undertakings	1,346,887	73,382
Amounts owed by undertakings in which the company has a participating interest	3,051,468	-
Taxation	207	-
Other debtors	7,863	-
Prepayments and accrued income	15,750	-
	<u>4,422,949</u>	<u>74,156</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.03	31.3.02
	£	£
Bank overdrafts	36,806	-
Trade creditors	989,929	-
Amounts owed to group undertakings	5,320,159	127,607
Taxation	-	10,000
Other creditors	585	585
Accruals and deferred income	1,000	1,160
	<u>6,348,479</u>	<u>139,352</u>

10. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.03	31.3.02
			£	£
200,000	Ordinary	£1	<u>200,000</u>	<u>200,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.03	31.3.02
			£	£
16,250	Ordinary	£1	<u>16,250</u>	<u>16,250</u>

ASHFLAME PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2003

11. RESERVES

	Profit and loss account £	Revaluation reserve £	Totals £
At 1 April 2002	(14,992)	15,413	421
Deficit for the year	(474,425)	-	(474,425)
Transfer to Profit & Loss Account on Disposal of property	<u>15,413</u>	<u>(15,413)</u>	<u>-</u>
At 31 March 2003	<u>(474,004)</u>	<u>-</u>	<u>(474,004)</u>

12. RELATED PARTY DISCLOSURES

During the year property was purchased from Andover Development Company Limited at an arms length amount of £980,000 which is included in trade creditors at 31 March 2003. Andover Development Company Limited is a company ultimately controlled by Mr A C Gallagher.

In the period ended 31 March 2002, investment properties with a book value of £162,800 were sold to J J Gallagher Limited for £210,000. J J Gallagher Limited is a company controlled ultimately by Mr A C Gallagher.

The company is funded by an interest bearing loan from Countywide Developments Limited, a company controlled by Mr A C Gallagher. Interest of £185,332 was payable in respect of the year (2002: £676) and £5,320,159 was owed to Countywide Developments Limited at 31 March 2003 (£56,271 at 31 March 2002).

During the year ended 31 March 2002 the company was also funded by J J Gallagher Limited. The maximum amount owed was £207,000 and £71,336 was outstanding at 31 March 2002, which was settled in the following year. Interest of £8,182 was charged on the loan.

Interest free loans have been advanced to subsidiaries of the company and at 31 March 2003, Scunthorpe Property Investments Limited owed £735,889 (31 March 2002: £73,382), and Port Glasgow Property Investments Limited owed £610,998. An interest free loan has been advanced to West Coast Capital (Kilmarnock) Limited, an associate company, and the balance owed at 31 March 2003 was £1,348,397. An interest bearing loan has also been advanced to Islandview Properties Limited, an associate company, and the balance owed at 31 March 2003 was £1,703,073 with interest of £68,992 receivable for the year ended 31 March 2003.

Mr G H Gosling a director of the company is a principal in a firm providing and obtaining consulting services for the company. Amounts totalling £6,500 (period from appointment to 31 March 2002: £8,500) were charged by this practice on an arms length basis and were settled during the period.

ASHFLAME PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2003

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.3.03	31.3.02
	£	£
(Loss)/Profit for the financial year	(474,425)	21,088
Other recognised gains and losses relating to the year (net)	-	(15,000)
Purchase of own shares	-	(109,500)
Net reduction of shareholders' funds	(474,425)	(103,412)
Opening shareholders' funds	<u>16,671</u>	<u>120,083</u>
Closing shareholders' funds	<u>(457,754)</u>	<u>16,671</u>
Equity interests	<u>(457,754)</u>	<u>16,671</u>

14. CONTROLLING PARTY

The ultimate controlling party of the company is Mr A C Gallagher by virtue of his ownership of all of the issued share capital of the company.