

THE DERBYSHIRE GROUP LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2004



THE DERBYSHIRE GROUP LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Michael Pass Richard Taylor |
| Secretary | Richard Taylor |
| Company Number | 4576709 |
| Registered Office | Stubben Edge Hall Ashover Derbyshire S45 0EU |
| Auditors | D E K M 5 Trinity Terrace London Road Derby DE1 2QS |

THE DERBYSHIRE GROUP LIMITED

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THE DERBYSHIRE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

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

Principal Activities

Principal activities of the group during the period have been property management and development.

Directors and their Interests

The directors who served during the period and their beneficial interests in the company's issued share capital were:

| | Ordinary Shares of £1 each | |
|-------------------------|----------------------------|---------------------|
| | 31 December 2004 | 31 December 2003 |
| Michael Pass – Chairman | 444,006 | 444,006 |
| Richard Taylor | - | - |

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that D E K M be reappointed as auditors of the company will be put to the Annual General Meeting.

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 the group and of the profit 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 and the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and group and to prevent and detect fraud and other irregularities.

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

This report was approved by the board on 26.05.05 and signed on its behalf.


Richard Taylor
Secretary

THE DERBYSHIRE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE DERBYSHIRE GROUP LIMITED

We have audited the accounts of The Derbyshire Group Limited on pages 4 to 12 for the year ended 31 December 2004. These accounts have been prepared 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 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 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 in the statement of directors responsibilities on page 1 the company's directors are responsible for the preparation of the accounts 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 directors' report is not consistent with the accounts, if the group 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 group 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 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 accounts and of whether the accounting policies are appropriate to the group'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.

THE DERBYSHIRE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE DERBYSHIRE GROUP LIMITED

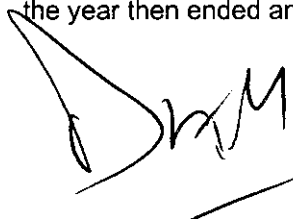
Qualified opinion arising from the disagreement about accounting treatment

In our opinion the financial statements should incorporate the following matters:

The group has participated in group defined benefit pension schemes on behalf of eligible employees. The directors have not complied with the disclosure requirements of the Financial Reporting Standard for Smaller Entities (effective June 2002) relating to retirement benefits on the grounds that the total costs that would be incurred in obtaining the actuarial valuation information would outweigh the benefits of providing disclosure. Additionally, all group defined benefit schemes have now been closed to new entrants; and

A revaluation during the period of investment properties as required by the Financial Reporting Standard for Smaller Entities (effective June 2002).

Except for the absence of the matters referred to in the paragraph above, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 and the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



D E K M

Chartered Accountants and Registered Auditors

5 Trinity Terrace
London Road
Derby
DE1 2QS

Date: 27 October 2005

THE DERBYSHIRE GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

| | Notes | 2004 £ | 2003 £ |
|---|-----------|------------------|------------------|
| Turnover | | 4,703,235 | 5,054,681 |
| Change in stocks of finished goods and work in progress | | 14,381 | (43,567) |
| | | <u>4,717,616</u> | <u>5,011,114</u> |
| Raw materials and other consumables | | 42,915 | 39,910 |
| | | <u>4,674,701</u> | <u>4,971,204</u> |
| Depreciation and amortisation | | 2,579 | 2,579 |
| Other external charges | | 1,899,840 | 765,528 |
| | | <u>1,902,419</u> | <u>768,107</u> |
| Operating profit | 1 | 2,772,282 | 4,203,097 |
| Exceptional items: | 2 | | |
| Provision for loss on sale of current asset investment | | (112,499) | - |
| Profit on disposal of tangible fixed assets | | - | 394,823 |
| Loss on disposal of fixed asset investment | | - | (185,965) |
| | | <u>2,659,783</u> | <u>4,411,955</u> |
| Profit on ordinary activities before interest | | | |
| Interest receivable and similar income | | 204,517 | 5,187 |
| Interest payable and similar charges | | (4,698) | (78,287) |
| | | <u>2,859,602</u> | <u>4,338,855</u> |
| Profit on ordinary activities before taxation | | | |
| Taxation on profit on ordinary activities | 3 | (891,164) | (1,234,598) |
| | | <u>1,968,438</u> | <u>3,104,257</u> |
| Profit on ordinary activities after taxation | | | |
| Dividends | | (650,000) | - |
| Retained profit for the year | 11 | <u>1,318,438</u> | <u>3,104,257</u> |

THE DERBYSHIRE GROUP LIMITED

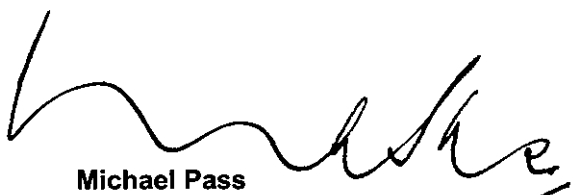
BALANCE SHEETS

AS AT 31 DECEMBER 2004

| | Notes | Group | | Company | |
|--|-------|--------------------------|--------------------------|-----------------------|-----------------------|
| | | 2004 £ | 2003 £ | 2004 £ | 2003 £ |
| Fixed Assets | | | | | |
| Tangible assets | 4 | 10,895,558 | 12,510,636 | - | - |
| Investments | 5 | - | - | 444,004 | 444,004 |
| | | <u>10,895,558</u> | <u>12,510,636</u> | <u>444,004</u> | <u>444,004</u> |
| Current Assets | | | | | |
| Stocks | | 240,692 | 247,383 | - | - |
| Debtors | 6 | 53,955 | 3,351,520 | 666,048 | 2 |
| Investments | 7 | 1,500,000 | - | - | - |
| Cash at bank and in hand | | 5,069,267 | - | - | - |
| | | <u>6,863,914</u> | <u>3,598,903</u> | <u>666,048</u> | <u>2</u> |
| Creditors: amounts falling due within one year | 8 | (2,834,187) | (2,500,933) | (664,567) | - |
| Net Current Assets | | <u>4,029,727</u> | <u>1,097,970</u> | <u>1,481</u> | <u>2</u> |
| Total Assets Less Current Liabilities | | <u>14,925,285</u> | <u>13,608,606</u> | <u>445,485</u> | <u>444,006</u> |
| Provisions for liabilities and charges | 9 | (504,653) | (506,412) | - | - |
| Net Assets | | <u><u>14,420,632</u></u> | <u><u>13,102,194</u></u> | <u><u>445,485</u></u> | <u><u>444,006</u></u> |
| Capital and Reserves | | | | | |
| Called up share capital | 10 | 444,006 | 444,006 | 444,006 | 444,006 |
| Share premium account | 11 | 1,429,021 | 1,429,021 | - | - |
| Merger reserve | 11 | (49,879) | (49,879) | - | - |
| Revaluation reserve | 11 | 45,324 | 45,324 | - | - |
| Profit and loss account | 11 | 12,552,160 | 11,233,722 | 1,479 | - |
| Shareholders' Funds | | <u><u>14,420,632</u></u> | <u><u>13,102,194</u></u> | <u><u>445,485</u></u> | <u><u>444,006</u></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).

These financial statements were approved by the board on26 Dec 05..... and signed on its behalf.


Michael Pass
 Director


Richard Taylor
 Director

THE DERBYSHIRE GROUP LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2004

Accounting Convention

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings.

Compliance with Accounting Standards

The financial statements are prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) with the exception of the disclosure requirements relating to retirement benefits, which is explained in the 'Pension costs' note to the financial statements, and the absence of a revaluation of investment properties during the year.

Basis of Consolidation

The group financial statements consolidate the financial statements of The Derbyshire Group Limited and its subsidiary undertakings made up to 31 December 2004.

A separate profit and loss account for the company has not been presented as permitted by Section 230 of the Companies Act 1985.

Turnover

Turnover excludes inter-group transactions and represents the invoice value of goods despatched and services rendered net of value added tax and trade discounts.

Tangible Fixed Assets and Depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Tangible fixed assets acquired on the acquisition of subsidiaries are brought into the group financial statements at their original cost, and depreciation thereon is included in the aggregate depreciation figure.

Amortisation of the cost of leaseholds is provided in equal annual instalments over the lives of the leases.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life as follows:

| | |
|------------------------------------|-------------------------------|
| Freehold property | not provided |
| Short leasehold land and buildings | Over the terms of the leases |
| Plant | 20% straight line basis |
| Vehicles | 20% - 25% straight line basis |

No depreciation is provided on investment properties. Although this accounting policy is in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), it is a departure from the general requirement of the Companies Act 1985 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors affecting the carrying amount of investment properties and the amount of this, which might otherwise have been charged, cannot be separately identified or quantified.

THE DERBYSHIRE GROUP LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2004

Hire Purchase Contracts

Assets held under hire purchase contracts are capitalised in the balance sheet and are depreciated over their expected useful lives. Future instalments under such contracts, exclusive of interest, are included in creditors. The interest element of the instalments is charged to profit and loss account over the period of the contract.

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease

Stocks and Work in Progress

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred Taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

Pensions

The group companies' defined benefit pension schemes require participating company contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the costs of pensions over the employees working lives within the company. Variations in pension costs, which are identified as a result of actuarial valuations, are spread over the average expected working lives of current employees in the scheme.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the results from ordinary activities.

THE DERBYSHIRE GROUP LIMITED

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

| | | |
|---|-------------------|-------------------|
| 1 Operating profit | 2004 £ | 2003 £ |
| Operating profit is stated after charging: | | |
| Auditors remuneration | 12,400 | 13,689 |
| Depreciation | 2,579 | 2,579 |
| | | |
| 2 Exceptional items | 2004 £ | 2003 £ |
| Provision for loss on sale of current asset investment: | | |
| Freehold land and buildings | (112,499) | - |
| Profit on disposal of tangible fixed assets: | | |
| Freehold land and buildings | - | 394,823 |
| | (112,499) | 394,823 |
| Loss on disposal of fixed asset investment | - | (185,965) |
| | (112,499) | 208,858 |
| No tax charge or credit arises on the exceptional items detailed above. | | |
| 3 Taxation | 2004 £ | 2003 £ |
| Domestic current period tax | | |
| UK corporation tax | 894,840 | 1,220,100 |
| Adjustment for prior years | (1,917) | (1,828) |
| Current tax charge | 892,923 | 1,218,272 |
| Deferred tax | | |
| Deferred tax (credit) charge current year | (1,759) | 16,326 |
| | 891,164 | 1,234,598 |

THE DERBYSHIRE GROUP LIMITED

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

| 4 Tangible fixed assets | Freehold Land and Buildings | Short Leaseholds | Plant and Vehicles | Total |
|---|-----------------------------------|---------------------|-----------------------|-------------------|
| | £ | £ | £ | £ |
| Group | | | | |
| Cost or valuation | | | | |
| At 1 January 2004 | 12,483,378 | 45,930 | 12,617 | 12,541,925 |
| Reclassification to current asset investments | (1,612,499) | - | - | (1,612,499) |
| At 31 December 2004 | 10,870,879 | 45,930 | 12,617 | 10,929,426 |
| Depreciation | | | | |
| At 1 January 2004 | - | 18,981 | 12,308 | 31,289 |
| Charge for the year | - | 2,315 | 264 | 2,579 |
| At 31 December 2004 | - | 21,296 | 12,572 | 33,868 |
| Net Book Value | | | | |
| At 31 December 2004 | 10,870,879 | 24,634 | 45 | 10,895,558 |
| At 31 December 2003 | 12,483,378 | 26,949 | 309 | 12,510,636 |

Freehold land and buildings were revalued in 1985 on an open market for existing use basis.

Cost or valuation of freehold land and buildings is represented by:

| | 2004 £ | 2003 £ |
|-------------------|-------------------|-------------------|
| Valuation in 1985 | 47,912 | 47,912 |
| Cost | 10,822,967 | 12,435,466 |
| | 10,870,879 | 12,483,378 |

Freehold land and buildings include investment properties at cost or valuation of £10,822,918 (2003 - £12,435,417).

A policy of revaluation has not been adopted, however, the carrying amount reflects the previous revaluations and these amounts are retained as the company has adopted the transitional provisions of Financial Reporting Standard for Smaller Entities (effective June 2002). The valuations concerned have not been updated.

Comparable historical cost for freehold land and buildings included at valuation:

| | £ |
|---|-------------------|
| Cost | |
| At 1 January 2004 | 12,490,005 |
| Reclassification to current asset investments | (1,612,499) |
| At 31 December 2004 | 10,877,506 |

THE DERBYSHIRE GROUP LIMITED

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

5 Fixed asset investments

Shares in
Subsidiary
Undertakings
£

Cost or valuation

At 1 January 2004 and 31 December 2004

444,004

Net book value

At 31 December 2004

444,004

At 31 December 2003

444,004

The principal subsidiary undertakings are listed at note 16.

6 Debtors

| | Group | | Company | |
|-------------------------------------|---------------|------------------|----------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Trade debtors | 50,877 | 3,260,273 | - | - |
| Amounts due from group undertakings | - | - | 665,186 | - |
| Other debtors | 3,078 | 91,247 | 862 | 2 |
| | <u>53,955</u> | <u>3,351,520</u> | <u>666,048</u> | <u>2</u> |

7 Current asset investments

| | Group | | Company | |
|---------------------|------------------|----------|----------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Investment property | <u>1,500,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The above investment property has been reclassified from fixed assets as it is currently being marketed for sale.

8 Creditors: Amounts falling due within one year

| | Group | | Company | |
|------------------------------|------------------|------------------|----------------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Bank loans and overdrafts | - | 294,216 | 11,917 | - |
| Trade creditors | - | 9,157 | - | - |
| Taxation and social security | 404,238 | 1,081,955 | - | - |
| Other creditors | 2,429,949 | 1,115,605 | 652,650 | - |
| | <u>2,834,187</u> | <u>2,500,933</u> | <u>664,567</u> | <u>-</u> |

The bank loans and overdrafts are secured.

THE DERBYSHIRE GROUP LIMITED

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

| 9 Provisions for liabilities and charges | Deferred tax liability £ |
|--|-----------------------------|
| At 1 January 2004 | 506,412 |
| Profit and loss account | (1,759) |
| At 31 December 2004 | 504,653 |

The deferred tax liability is made up as follows:

| | 2004 £ | 2003 £ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 553,416 | 549,556 |
| Other timing differences | (48,763) | (43,144) |
| | 504,653 | 506,412 |

The associated deferred tax on the revaluation surplus of £45,324 for the group has not been quantified.

| 10 Share capital | Company 2004 £ | | 2003 £ |
|---|----------------------|---------|-----------|
| Authorised Equity shares 444,006 ordinary shares of £1 each | 444,006 | 444,006 | |
| Allotted, called up and fully paid Equity shares 444,006 ordinary shares of £1 each | 444,006 | 444,006 | |

| 11 Statement of movements on reserves | Share Premium Account £ | Merger Reserve £ | Revaluation Reserve £ | Profit and Loss Account £ |
|---------------------------------------|----------------------------------|------------------------|-----------------------------|------------------------------------|
| Group | | | | |
| At 1 January 2004 | 1,429,021 | (49,879) | 45,324 | 11,233,722 |
| Retained profit for the year | - | - | - | 1,318,438 |
| At 31 December 2004 | 1,429,021 | (49,879) | 45,324 | 12,552,160 |
| Company | | | | |
| At 1 January 2004 | - | - | - | - |
| Retained profit for the year | - | - | - | 1,479 |
| At 31 December 2004 | - | - | - | 1,479 |

THE DERBYSHIRE GROUP LIMITED

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

12 Pension costs

The group has participated in group defined benefit pension schemes on behalf of eligible employees which are funded. These schemes are administered by trustees and are independent of the group's finances and are funded by contributions from participating group companies and employees. The contributions are assessed with the benefit of triennial actuarial valuations and reports prepared by professionally qualified actuaries.

The total contributions paid in the period amounted to £Nil (2003 - £Nil).

The financial statements do not incorporate the disclosure requirements of Financial Reporting Standard for Smaller Entities (effective June 2002). The directors are of the opinion that, due to the number of group, multi-employer schemes to which the group contributes, the total costs that would be incurred in obtaining the actuarial valuation information would outweigh the benefits of providing disclosure. Additionally, all group defined benefit schemes have now been closed to new entrants.

13 Contingent liabilities

There are contingent liabilities to the groups bankers arising from indemnities given by those banks in respect of performance bonds entered into in the normal course of business.

14 Control

The company was under the control of Michael Pass, chairman and majority shareholder, throughout the current and previous years.

15 Related party transactions

During the year management charges of £1,697,099 (2003 - £565,026) were paid to certain related undertakings, all under the ultimate control of Michael Pass.

Debtors includes an amount of £2,342 (2003 - £75,000) in respect of amounts due from these related undertakings.

Creditors includes an amount of £1,261,229 (2003 - £554,790) in respect of amounts due to these related undertakings.

16 Subsidiary undertakings

The following is a list of the company's wholly owned active subsidiary undertakings at 31 December 2004, all of which are incorporated in England and Wales and have been included in the consolidation.

The capital in each case consists wholly of ordinary shares. The principal activities of the trading companies are as follows:

| | |
|----------------------------|------------------------|
| Amber Pass Group Limited | - Holding company |
| Amber Pass Limited | - Property management |
| Derbyshire Estates Limited | - Property development |

In addition to the above, there are several dormant subsidiary undertakings which are not listed on the grounds of immateriality.