

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE PERIOD 24 JUNE 2005 TO 31 JULY 2005  
FOR  
ASHFLAME CROMER LIMITED**

**5490936**



**ASHFLAME CROMER LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS  
for the period 24 June 2005 to 31 July 2005**

	<b>Page</b>
<b>Company Information</b>	1
<b>Report of the Directors</b>	2
<b>Report of the Independent Auditors</b>	4
<b>Profit and Loss Account</b>	5
<b>Balance Sheet</b>	6
<b>Notes to the Financial Statements</b>	7

**ASHFLAME CROMER LIMITED**

**COMPANY INFORMATION**

**for the period 24 June 2005 to 31 July 2005**

**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:** 5490936 (England and Wales)

**AUDITORS:** PricewaterhouseCoopers LLP  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

# **ASHFLAME CROMER LIMITED**

## **REPORT OF THE DIRECTORS for the period 24 June 2005 to 31 July 2005**

The directors present their report with the audited financial statements of the company for the period 24 June 2005 to 31 July 2005.

### **INCORPORATION**

The company was incorporated on 24 June 2005.

### **PRINCIPAL ACTIVITY**

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

### **REVIEW OF BUSINESS**

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

Both the results for the period, and the period end financial position were satisfactory. The directors consider future prospects to be satisfactory.

### **DIVIDENDS**

No dividends will be distributed for the period ended 31 July 2005.

### **DIRECTORS**

The directors during the period under review were:

A C Gallagher	- appointed 24.6.05
G H Gosling	- appointed 24.6.05

The directors holding office at 31 July 2005 did not hold any direct beneficial interest in the issued share capital of the company at date of appointment or 31 July 2005.

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

The initial director Wildman & Battell Limited resigned on 24 June 2005.

Both the directors, being eligible, offer themselves for election at the forthcoming first Annual General Meeting.

### **FINANCIAL RISK MANAGEMENT**

The company's operations expose it to a variety of financial risks that include the effects of credit, liquidity and interest rate risks. The directors actively monitor these risks and the potential costs.

The credit rating of property tenants is regularly assessed and changes in the risk profile are managed.

The company utilises a mixture of bank and group funding designed to ensure it has sufficient working capital available. Floating interest rates are reviewed and swapped for fixed rates where appropriate to reduce exposure to adverse interest rate fluctuations.

# ASHFLAME CROMER LIMITED

## REPORT OF THE DIRECTORS for the period 24 June 2005 to 31 July 2005

### STATEMENT OF 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 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.

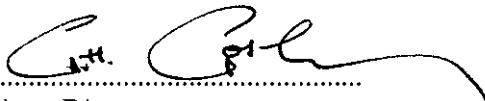
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

So far as the directors are aware, there is no relevant information of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken as directors in order to make themselves 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

30 May 2006

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASHFLAME CROMER LIMITED

We have audited the financial statements of Ashflame Cromer Limited for the period ended 31 July 2005 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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

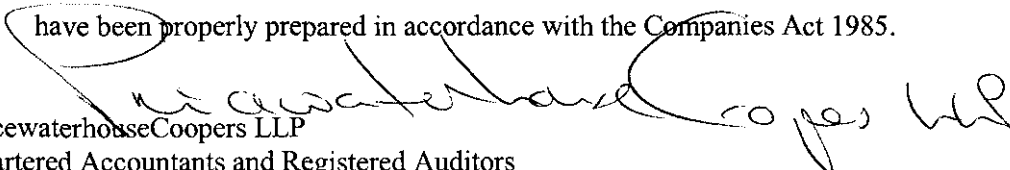
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 July 2005 and of its loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

30 May 2006

## ASHFLAME CROMER LIMITED

### PROFIT AND LOSS ACCOUNT for the period 24 June 2005 to 31 July 2005

	Notes	£
<b>TURNOVER</b>	2	4,941
Cost of sales		<u>-</u>
<b>GROSS PROFIT</b>		4,941
Administrative expenses		<u>(5,560)</u>
<b>OPERATING LOSS</b>	4	(619)
Interest receivable and similar income		<u>320</u>
		(299)
Interest payable and similar charges	5	<u>(3,737)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,036)
Tax on loss on ordinary activities	6	<u>(307)</u>
<b>LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION</b>		<u>(4,343)</u>
<b>LOSS FOR THE PERIOD</b>	12	<u>(4,343)</u>

#### CONTINUING OPERATIONS

All of the company's activities were acquired during the current period. None of the company's activities were discontinued during the current period.

#### TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current 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.

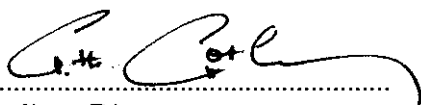
**ASHFLAME CROMER LIMITED**

**BALANCE SHEET**

**31 July 2005**

	Notes	£
<b>FIXED ASSETS</b>		
Tangible assets	7	2,385,000
<b>CURRENT ASSETS</b>		
Debtors	8	7,125
Cash at bank		<u>87,116</u>
		94,241
<b>CREDITORS</b>		
Amounts falling due within one year	9	<u>(1,043,582)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(949,341)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,435,659
<b>CREDITORS</b>		
Amounts falling due after more than one year	10	<u>(1,440,000)</u>
		<u>(4,341)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	11	2
Profit and loss account	12	<u>(4,343)</u>
<b>SHAREHOLDERS' DEFICIT</b>	14	<u>(4,341)</u>

**ON BEHALF OF THE BOARD:**



.....  
G H Gosling - Director

Approved by the Board on 30 May 2006



# ASHFLAME CROMER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the period 24 June 2005 to 31 July 2005

### 1. ACCOUNTING POLICIES

#### **Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. A summary of the more important policies which have been consistently applied is 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.

#### **Going concern**

Notwithstanding the fact that at 31 July 2005 the company had net current liabilities, net liabilities and made a loss for the period, the accounts have been prepared on a going concern basis as the company has received confirmation of financial support from the parent company.

### 2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

# ASHFLAME CROMER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - *continued* for the period 24 June 2005 to 31 July 2005

### 3. STAFF COSTS

There were no staff costs for the period ended 31 July 2005.

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

Directors	<u>2</u>
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### 4. OPERATING LOSS

The operating loss is stated after charging:

Auditors' remuneration	£ <u>500</u>
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Directors' emoluments	<u>-</u>
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### 5. INTEREST PAYABLE AND SIMILAR CHARGES

Bank interest	£ 2,800
Interest payable on loans from related undertakings	827
Interest payable on loans from group undertakings	<u>110</u>
	<u>3,737</u>

### 6. TAXATION

#### **Analysis of the tax charge**

The tax charge on the loss on ordinary activities for the period was as follows:

Current tax:	£
Group relief	<u>307</u>
Tax on loss on ordinary activities	<u>307</u>

The current corporation tax credit differs from the standard UK corporation tax rate of 30% applied to the loss for the period. The differences are:

	£
Loss for the period at 30%	(1,211)
Expenses not deductible for tax purposes	<u>1,518</u>
	<u>307</u>

**ASHFLAME CROMER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the period 24 June 2005 to 31 July 2005**

**6. TAXATION (continued)**

The amount of tax which would become payable in the event of a sale of the investment property at its book value is approximately £160,000. No deferred tax provision has been made as there is no commitment to sell the property.

**7. TANGIBLE FIXED ASSETS**

	Freehold investment property £
<b>COST</b>	
Additions	<u>2,385,000</u>
At 31 July 2005	<u>2,385,000</u>
<b>NET BOOK VALUE</b>	
At 31 July 2005	<u><u>2,385,000</u></u>

On 19 July 2005, Ashflame Cromer Limited purchased the freehold investment property from Cromer Property Investments Limited, its parent undertaking for £2,385,000 on an arm's length basis.

The above assets are held for letting.

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

	£
Other debtors	<u>7,125</u>

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

	£
Amounts owed to group undertakings	1,006,585
VAT payable	5,950
Other creditors	5,746
Accruals and deferred income	<u>25,301</u>
	<u><u>1,043,582</u></u>

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

	£
Bank loan	<u><u>1,440,000</u></u>

**AŞHFLAME CROMER LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the period 24 June 2005 to 31 July 2005**

**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 1.25% over LIBOR. The loan is repayable by quarterly instalments of £8,500 commencing August 2006, with a final balloon payment in November 2014, as follows:

	£
In 1 to 2 years	34,000
In 2 to 5 years	102,000
In more than 5 years	<u>1,304,000</u>
	<u>1,440,000</u>

**11. CALLED UP SHARE CAPITAL**

Authorised:			
Number:	Class:	Nominal value:	£
1,000	Ordinary	£1	<u>1,000</u>

Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	£
2	Ordinary	£1	<u>2</u>

The following shares were allotted and fully paid for cash at par during the period:

2 Ordinary shares of £1 each

**12. RESERVES**

	Profit and loss account
	£
Loss for the period	<u>(4,343)</u>
At 31 July 2005	<u>(4,343)</u>

## ASHFLAME CROMER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued for the period 24 June 2005 to 31 July 2005

#### 13. RELATED PARTY DISCLOSURES

At 31 July 2005, Ashflame Cromer Limited owed £1,006,585 to Ashflame Property Investments Limited. Under the loan agreement, interest is only payable on a proportion of the loan (£350,000 as at inception) at 1% over the Bank of England base rate. The remainder of the loan is interest free.

The company has taken advantage of the exemption in FRS8 not to disclose transactions with other group companies, whilst it remained a wholly owned subsidiary within a consolidated group.

#### 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Loss for the financial period	(4,343)
Issue of shares	<u>2</u>
<b>Net reduction of shareholders' funds</b>	<b>(4,341)</b>
Opening shareholders' funds	<u>-</u>
<b>Closing shareholders' funds</b>	<b><u>(4,341)</u></b>
Equity interests	<u>(4,341)</u>

#### 15. CONTROLLING PARTY

Ashflame Cromer Limited is a wholly owned subsidiary of Cromer Property Investments Limited, (incorporated in England and Wales). At 31 July 2005 Cromer Property Investments Limited was controlled by Ashflame Property Investments Limited (incorporated in England and Wales), its ultimate parent undertaking. Subsequent to the year end Ashflame Property Investments Limited was acquired by Ashflame Investments Limited (incorporated in England and Wales).

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 both Ashflame Property Investments Limited and then Ashflame Investments Limited.