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ASH MILL DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

Registered number: 3290598



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ASH MILL DEVELOPMENTS LIMITED
DIRECTORS' REPORT

Directors: G D Hudson
J R Brown
P D Cooper
P N C Marples

Secretary: D W Stewart Appointed 30 January 2002

Registered office: Harwood House, 43 Harwood Road, London, SW6 4QP

Registered number: 3290958

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2001.

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:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) 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.

Principal activity

The principal activity of the company was that of property development by way of joint venture projects.

ASH MILL DEVELOPMENTS LIMITED
DIRECTORS' REPORT (continued)

Directors and their interests

The directors of the company at 31 December 2001 are shown above.

In addition, P N C Marples acted as company secretary until his resignation on 30 January 2002.

The directors had beneficial interests in the share capital of the company as follows:

	At 31 December 2001	At 1 January 2001
	Ordinary shares of £1 each	
G D Hudson	25	25
J R Brown	75	25
P D Cooper	-	25
P N C Marples	-	25
	<u> </u>	<u> </u>

Auditors

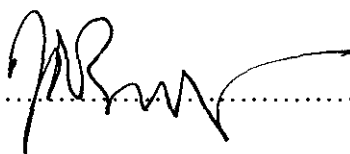
Warrener Stewart, Chartered Accountants, of Harwood House, 43 Harwood Road, London, SW6 4QP will continue in office as auditors of the company.

Basis of preparation

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

By Order of the Board

J R Brown
Director



Date 9/10/02

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ASH MILL DEVELOPMENTS LIMITED

We have audited the financial statements of Ash Mill Developments Limited for the year ended 31 December 2001 which comprise the profit and loss account, balance sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and 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 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 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 directors' report and consider the implications for our report if we become aware of any apparent misstatement 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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ASH MILL DEVELOPMENTS LIMITED (continued)

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Warren Stewart

WARRENER STEWART

Chartered Accountants and Registered Auditors

Harwood House
43 Harwood Road
London
SW6 4QP

Date 11th October 2002.

ASH MILL DEVELOPMENTS LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2001

	Notes	£	2000 £
Turnover	2	1,113,873	550,000
Project development costs		(821,193)	(509,043)
Other operating income		20,000	-
Staff costs		(33,110)	-
Depreciation		(2,336)	-
Other operating charges		(69,828)	(3,000)
Operating profit	3	207,406	37,957
Bank interest receivable		1,044	2,723
Interest payable and similar charges	4	(67,071)	(17,228)
Profit on ordinary activities before taxation		141,379	23,452
Tax on profit on ordinary activities	5	(28,250)	(4,690)
Retained profits for the financial year after taxation		113,129	18,762
Retained profits brought forward		70,355	51,593
Retained profits carried forward		£ 183,484	£ 70,355

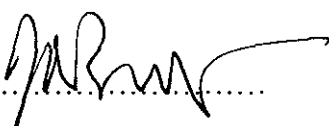
The attached notes 1 to 13 form a part of these financial statements

ASH MILL DEVELOPMENTS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	£	£	2000 £
Fixed assets				
Tangible assets	6		5,802	-
Fixed assets investments	7		5	-
			<u>5,807</u>	<u>-</u>
Current assets				
Project work in progress	8	5,305,780		3,155,805
Debtors	9	123,485		40,286
Cash at bank and in hand		471		6,754
		<u>5,429,736</u>		<u>3,202,845</u>
Creditors: Amounts falling due within one year	10	(4,094,809)		(1,272,754)
			<u>1,334,927</u>	<u>1,930,091</u>
Net current assets				
			<u>1,340,734</u>	<u>1,930,091</u>
Total assets less current liabilities				
Creditors: Amounts falling due after more than one year	11		(1,157,150)	(1,859,636)
			<u>£ 183,584</u>	<u>£ 70,455</u>
Capital and reserves				
Called up share capital	12		100	100
Profit and loss account			183,484	70,355
			<u>£ 183,584</u>	<u>£ 70,455</u>

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

Approved on behalf of the Board by:

J R Brown.....

Date9/10/02.....

The attached notes 1 to 13 form a part of these financial statements

ASH MILL DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention and in compliance with the requirements of the Companies Act 1985.

Consolidated financial statements and joint venture transactions

The Ash Mill Group, headed by Ash Mill Developments Limited, qualifies as a small group under s248 of the Companies Act 1985 and as such is exempt from the requirement to prepare consolidated group financial statements. All subsidiary companies act as nominees in joint venture developments and do not trade in their own right, holding assets and liabilities and processing transactions on behalf of the joint venture parties.

These financial statements have been prepared in accordance with the provisions of FRS 9 (Associates and joint ventures). As such, the assets, liabilities, profits and losses of all joint ventures in which the company is involved, including those operated via subsidiary companies, have been brought into these financial statements in the relevant proportions as dictated by the terms of the joint venture agreements.

Turnover

Turnover represents development property sales completed within the accounting period and is stated net of Value Added Tax.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	-	33% on cost
Plant and machinery	-	33% on cost

Project work in progress

Work in progress is valued at the lower of cost and net realisable value, after making due allowance for any foreseeable under recoveries, and includes all attributable costs incurred in the development of ongoing property projects less amounts attributable to project sales.

ASH MILL DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001 (continued)

2. TURNOVER

The turnover and profit for the year are attributable to the principal activity of the company and are derived wholly from within the United Kingdom.

		2000
3. OPERATING PROFIT	£	£
Operating profit is stated after charging:		
Directors' remuneration	27,438	-
Auditors' remuneration	4,500	3,000
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

Bank loan and overdraft interest and similar charges	29,994	8,412
Project funding loan interest	37,077	8,816
	<u> </u>	<u> </u>
	£ 67,071	£ 17,228
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:

Corporation tax at 20% (2000: 20%)	£ 28,250	£ 4,690
	<u> </u>	<u> </u>

ASH MILL DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001 (continued)

6. TANGIBLE FIXED ASSETS

	Plant & machinery	Office equipment £	Total £
Cost:			
Additions and at 31 December 2001	1,695	7,008	8,703
Depreciation:			
Charge for the year and at 31 December 2001	565	2,336	2,901
Net book value:			
At 31 December 2001	£ 1,130	£ 4,672	£ 5,802
At 31 December 2000	£ -	£ -	£ -

Depreciation on plant and machinery is charged to project work in progress.

7. FIXED ASSET INVESTMENTS	£
Additions and cost at 31 December 2001	£ 5

The company owns 100% of the issued ordinary share capital of the following companies:

Name of company	Nature of business during the year
Ash Mill Salcombe Limited	Property development
Ash Mill Napton Limited	Property development
Ash Mill Wells Limited	Property development
Ash Mill Midhurst Limited	Property development

The company also owns 50% of the issued ordinary share capital of Ash Mill Allenhayes Limited, the business of which is property development.

All of the above companies are incorporated in England & Wales.

ASH MILL DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001 (continued)

7. FIXED ASSET INVESTMENTS (continued)

The total capital and reserves and result of each investment for the period ended 31 December 2001 were as follows:

	Capital & reserves £	Profit/ (loss) £
Ash Mill Salcombe Limited	1	-
Ash Mill Napton Limited	1	-
Ash Mill Wells Limited	1	-
Ash Mill Midhurst Limited	1	-
Ash Mill Allenhayes Limited	2	-
	<u> </u>	<u> </u>

The above companies all operate as nominee companies through which Ash Mill Developments Limited operates joint venture property development projects with various third parties. The assets, liabilities, profits and losses of the joint ventures are included within these financial statements in the relevant proportions as dictated by the joint venture agreements, in accordance with FRS 9 (Associates and joint ventures).

		2000 £
8. WORK IN PROGRESS	£	£
Ongoing project development costs	£ 5,305,780	£ 3,155,805
	<u> </u>	<u> </u>

Ongoing project development costs are a combination of site purchase and development costs, interest and finance costs and other directly attributable project costs.

Capitalised interest of £291,406 (2000: £169,630) is included within work in progress.

9. DEBTORS

Amounts due from joint venture parties	51,857	-
Other debtors	71,628	40,286
	<u> </u>	<u> </u>
	£ 123,485	£ 40,286
	<u> </u>	<u> </u>

ASH MILL DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001 (continued)

		2000
10. CREDITORS: Amounts falling due within one year	£	£
Bank overdrafts (see note 11)	59,580	22,167
Bank loans (see note 11)	2,090,805	-
Trade creditors	179,764	138,600
Amounts due to joint venture parties	1,458,109	932,737
Current corporation tax	28,250	4,690
Other taxation and social security	4,437	-
Other creditors	273,864	174,560
	<u>£ 4,094,809</u>	<u>£1,272,754</u>

11. CREDITORS: Amounts falling due after more than one year

Bank loans	-	1,138,398
Amounts due to joint venture parties	1,157,150	721,238
	<u>£ 1,157,150</u>	<u>£1,859,636</u>

Bank loans and overdrafts are secured by legal mortgages over freehold properties, the development of which the borrowings are being used to fund in part, and mortgage debentures incorporating fixed and floating charges over all the current and future assets of the company.

Within amounts due to related party undertakings are amounts totalling £907,850 (£170,700 within one year, £737,150 after one year) which are secured by second mortgages over freehold properties, the development of which the borrowings are being used to fund in part.

ASH MILL DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001 (continued)

12. SHARE CAPITAL	£	2000 £
Authorised:		
100 ordinary shares of £1 each	£ 100	£ 100
	<u> </u>	<u> </u>
Allotted, issued and fully paid:		
100 ordinary shares of £1 each	£ 100	£ 100
	<u> </u>	<u> </u>

13. RELATED PARTY DISCLOSURES

Material transactions and balances with related parties arising during the period were as follows:

Balances with related parties

Debtor balances	£	2000 £
Ash Mill Midhurst Limited joint venture	19,657	-
Ash Mill Wells Limited joint venture	32,200	-
	<u> </u>	<u> </u>
	51,857	-
	<u> </u>	<u> </u>

Creditor balances

Amounts due within one year:

Ash Mill Salcombe Limited joint venture	20,647	-
Ash Mill Napton Limited joint venture	128,433	-
Ash Mill Allenhayes Limited joint venture	203,040	-
Ash Mill Developments Limited joint ventures	1,105,989	932,737
	<u> </u>	<u> </u>
	1,458,109	932,737
	<u> </u>	<u> </u>

Amounts included within trade creditors:

G&J Seddon Limited	840,407	-
	<u> </u>	<u> </u>

Amounts falling due after one year:

Ash Mill Developments joint ventures	1,157,150	721,238
	<u> </u>	<u> </u>

ASH MILL DEVELOPMENT'S LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001 (continued)

13. RELATED PARTY DISCLOSURES (continued)

Further details of amounts due from other group company joint ventures are given within the accounts of the relevant companies.

Amounts due from Ash Mill Development Limited to joint venture parties (total liabilities £1,105,989 due within one year, £1,157,150 due after more than one year) include the following balances due to immediate related parties, other than the 3rd party, joint venture investors.

	£	2000 £
J R Brown	10,374	-
P D Cooper	11,383	-
G D Hudson	86,107	469,318
P N C Marples	11,383	-
Brown Cooper Marples Limited	81,130	133,812
G D Hudson and J R Brown Trust	36,357	25,332
SBF Developments Limited	188,724	-
Heath End Investments Limited	420,000	-
G & J Seddon Limited	737,150	343,238
	<u> </u>	<u> </u>

Transactions with related parties

Construction charges payable to:

G&J Seddon Limited 1,177,396 -

Management and project fees payable to:

Brown Cooper Marples Limited 67,765 120,626

A Brown 8,057 -

D Hudson 21,385 -

SBF Developments Limited 44,089 -

Rent and premises expenses payable to:

Brown Cooper Marples Limited 16,540 -

Nature of relationships and control

J R Brown, P D Cooper, G D Hudson and PNC Marples are directors of the company.

J R Brown holds a controlling interest in the share capital of the company.

G D Hudson holds the remaining interest in the share capital of the company.

Brown Cooper Marples Limited is a company in which J R Brown, P D Cooper and P N C Marples are also directors and shareholders.

ASH MILL DEVELOPMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001 (continued)

13. RELATED PARTY DISCLOSURES (continued)

Nature of relationships and control

The G D Hudson & J R Brown Trust is a trust in which G D Hudson and J R Brown are trustees and G D Hudson, J R Brown, P D Cooper, P N C Marples and certain of their close relatives are beneficiaries.

Heath End Investments Limited is a company controlled by G D Hudson.

A Brown is a close relative of J R Brown.

D Hudson is a close relative of G D Hudson.

G&J Seddon Limited is a joint venture partner with Ash Mill Developments Limited on a property development project in Framlingham, as part of which it has performed the principal construction work.

SBF Developments Limited is a joint venture partner with Ash Mill Developments Limited on property development projects in Dockrell and Sherborne.