
L.T DEEPROSE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2006

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COMPANIES HOUSE

L T DEEPROSE LIMITED

COMPANY INFORMATION

DIRECTORS	L T Deeprose (resigned 28/03/2006) A Cox (resigned 28/03/2006) I Marston (resigned 12/10/2005) N J Earley (appointed 28/03/2006) R W Empson (appointed 28/03/2006) P Deeprose (appointed 19/6/2006 & resigned 31/07/2007) M Baylis (appointed 01/09/2005 & resigned 30/03/2007) A Gemmell (appointed 17/10/2005 & resigned 28/03/2006)
SECRETARY	N J Earley
COMPANY NUMBER	585437
REGISTERED OFFICE	82 Hampton Road West Hanworth Middlesex TW13 6DZ
AUDITORS	Helmores Chartered Accountants & Registered Auditors Grosvenor Gardens House 35-37 Grosvenor Gardens London SW1W 0BY

L.T DEEPROSE LIMITED

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DIRECTORS' REPORT
For the period ended 31 December 2006

The directors present their report and the financial statements for the 17 months period ended 31 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 that 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.

So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

PRINCIPAL ACTIVITIES AND FAIR REVIEW OF BUSINESS

The principal activity of the company in the year under review was that of building contractors.

The company showed a significant decline in its performance during the period. This was principally a result of completion delays and related cost over-runs on its development site in Guildford. Whilst the project, which completed after the year end, resulted in a high quality and well received product which achieved sales values in excess of those originally anticipated, the related costs were significantly over budgeted levels.

During the period the company also continued to undertake contracting work where margins were also under pressure, although the projects in question did positively contribute albeit at a lower level than previously budgeted.

On a positive note, since the year end the company has undertaken a comprehensive review of its operations and changes have been made to its management team, overhead structure and contract pricing strategy.

The company is confident that the changes effected will allow it to reverse the three year trend of losses and see the business move back towards the positive results it has shown through the majority of its previous 50 years trading history.

DIRECTORS' REPORT
For the period ended 31 December 2006

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £873,649 (2005 - Loss £145,575)

The directors do not recommend the payment of a dividend

DIRECTORS

The directors who served during the period were

L T Deeprose (resigned 28/03/2006)

A Cox (resigned 28/03/2006)

I Marston (resigned 12/10/2005)

N J Earley (appointed 28/03/2006)

R W Empson (appointed 28/03/2006)

P Deeprose (appointed 19/6/2006 & resigned
31/07/2007)

M Baylis (appointed 01/09/2005 & resigned
30/03/2007)

A Gemmell (appointed 17/10/2005 & resigned
28/03/2006)

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise bank balances, bank overdrafts, and bank borrowing facilities on specific projects. The main purpose of these instruments is to finance the company's operations and projects in hand. Due to the nature of the financial instruments used by the company, there is no exposure to price risk.

Liquidity risk is managed by the use of overdrafts at fixed/floating rates of interest.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in an uncertain property market. Ability to obtain land is increasingly difficult which may affect the company operations in residential development in the future but the company is counteracting the risk by engaging itself in contracting work. After a poor result in the previous two periods, the directors and management have concentrated their efforts in improving the margins and are expecting that 2007 results will be greatly improved.

AUDITORS

The auditors, Helmores, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 31st October, 2007 and signed on its behalf


N J Earley
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF L T DEEPROSE LIMITED

We have audited the financial statements of L T Deeprose Limited for the period ended 31 December 2006 on pages 5 to 20. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF L T DEEPROSE LIMITED

QUALIFIED OPINION

As disclosed in note 20, no provision has been made in the financial statements for the projected deficit in the company's defined benefit pension scheme. In our opinion this is not in accordance with FRS 17.

If full provision had been made in the financial statements in accordance with FRS 17, in the prior year ended 31 July 2005 the provision would have been £276,000. The provision as at 31 December 2006 would have been £280,000. The profits and losses in the financial statements would be adjusted as shown in note 20 to the accounts resulting in increased losses of £4,000 for 2006 and increased losses of £276,000 in 2005. The net assets at 31 December 2006 would then have been £131,498.

Except for the financial effect of not making the provision referred to in the preceding paragraph, in our opinion the financial statements

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its losses for the period the ended, and
- have been properly prepared in accordance with the Companies Act 1985

In our opinion the information given in the Directors' report is consistent with the financial statements



Helmores

Chartered Accountants
Registered Auditors

Grosvenor Gardens House
35-37 Grosvenor Gardens
London
SW1W 0BY

Date 31 October 2007

L.T DEEPROSE LIMITED

PROFIT AND LOSS ACCOUNT
For the period ended 31 December 2006

		17 months ended 31 December 2006 £	Year ended 31 July 2005 £
	Note		
TURNOVER	1, 2	9,276,534	10,404,200
Cost of sales		<u>(8,853,856)</u>	<u>(9,516,898)</u>
GROSS PROFIT		422,678	887,302
Administrative expenses		<u>(1,256,492)</u>	<u>(990,042)</u>
OPERATING LOSS	3	(833,814)	(102,740)
Interest receivable		6	282
Interest payable	6	<u>(39,841)</u>	<u>(43,117)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(873,649)	(145,575)
TAX ON LOSS ON ORDINARY ACTIVITIES	7	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>£ (873,649)</u>	<u>£ (145,575)</u>

All amounts relate to continuing operations

The notes on pages 9 to 20 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 31 December 2006

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
LOSS FOR THE FINANCIAL PERIOD	(873,649)	(145,575)
Unrealised deficit on revaluation of properties	(7,600)	(7,600)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	£ (881,249)	£ (153,175)

The notes on pages 9 to 20 form part of these financial statements

L.T DEEPROSE LIMITED

BALANCE SHEET
As at 31 December 2006

		31 December 2006		31 July 2005	
	Note	£	£	£	£
FIXED ASSETS					
Tangible fixed assets	8		837,713		904,435
			<u>837,713</u>		<u>904,435</u>
CURRENT ASSETS					
Stocks	10	7,740,780		1,546,654	
Debtors	11	1,212,051		5,252,471	
Cash in hand		26		37	
		<u>8,952,857</u>		<u>6,799,162</u>	
CREDITORS amounts falling due within one year	12	(9,379,072)		(6,317,355)	
NET CURRENT (LIABILITIES)/ASSETS			<u>(426,215)</u>		<u>481,807</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>411,498</u>		<u>1,386,242</u>
CREDITORS amounts falling due after more than one year	13		-		(101,095)
NET ASSETS			<u>£ 411,498</u>		<u>£ 1,285,147</u>
CAPITAL AND RESERVES					
Called up share capital	14		9,975		9,975
Revaluation reserve	15		596,383		603,983
Other reserves			25		25
Profit and loss account	15		(194,885)		671,164
SHAREHOLDERS' FUNDS - All Equity	16		<u>£ 411,498</u>		<u>£ 1,285,147</u>

The financial statements were authorised for issue and were approved by the directors on *31st October, 2007* and signed on their behalf


N J Earley
Director

The notes on pages 9 to 20 form part of these financial statements

L.T DEEPROSE LIMITED

CASH FLOW STATEMENT
For the period ended 31 December 2006

	Note	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Net cash flow from operating activities	17	(2,089,288)	(1,238,912)
Returns on investments and servicing of finance	18	(39,835)	(42,835)
Capital expenditure and financial investment	18	(8,215)	(39,322)
CASH OUTFLOW BEFORE FINANCING		(2,137,338)	(1,321,069)
Financing	18	2,239,900	-
INCREASE/(DECREASE) IN CASH IN THE PERIOD		£ 102,562	£ (1,321,069)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 19)
For the period ended 31 December 2006

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Increase/(Decrease) in cash in the period	102,562	(1,321,069)
Cash (inflow)/outflow from increase (decrease) in debt and lease financing	(2,239,900)	17,166
MOVEMENT IN NET DEBT IN THE PERIOD	(2,137,338)	(1,303,903)
Net debt at 1 August 2005	(4,733,037)	(3,429,134)
NET DEBT AT 31 DECEMBER 2006	£ (6,870,375)	£ (4,733,037)

The notes on pages 9 to 20 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, and under the historical cost convention as modified by the revaluation of certain assets

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Going concern

The directors have prepared cashflow forecasts and projections at the date of signing the accounts in respect of at least the following 12 months, which indicate that the company will be able to meet its liabilities as they fall due and continue to trade for the foreseeable future. In addition, they do not have any reason to believe that the company's bank facilities will be withdrawn in the foreseeable future. On this basis, the directors consider it appropriate to prepare accounts on the going concern basis.

1.3 Turnover and Long Term Contracts

Turnover represents net invoiced sales of completed contracts and, where relevant, long term contracts up to the stage of completion including an appropriate element of profit, excluding value added tax. House sales are recognised on exchange of contracts provided that these are unconditional and that final completion occurs no later than the month after the year end.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

L/Term Leasehold Property	-	1% straight line
Plant & machinery	-	20% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures & fittings	-	15% reducing balance

1.5 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. In the case of development projects the costs include a proportion of overhead expenses and the finance and interest cost attributable to those projects.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

1.8 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold and gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.9 Pensions

The company operates a pension scheme for the benefit of certain employees. The scheme is of a defined benefit nature and the funds of the scheme are administered by trustees. Independent actuaries complete valuations at least every three years and in accordance with their recommendations annual contributions are paid to the scheme so as to secure the benefits set out in the rules and the periodic augmentation of current pensions. The costs of pension plans are charged to the profit and loss account so as to spread the costs over employees' working lives within the company.

The company also contributes to personal pension schemes of certain employees.

2. TURNOVER

All turnover arose within the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging

	17 months ended 31 December 2006	Year ended 31 July 2005
	£	£
Depreciation of tangible fixed assets		
- owned by the company	63,361	18,907
- held under hire purchase	-	37,702
Auditors' remuneration	8,120	8,000
Operating lease rentals		
- other operating leases	26,975	34,570
- hire of plant and machinery	212,750	130,531

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Wages and salaries	1,088,118	846,037
Social security costs	105,537	94,760
Other pension costs	61,564	36,888
	<u>£ 1,255,219</u>	<u>£ 977,685</u>

The average monthly number of employees, including directors, during the period was as follows

	17 months ended 31 December 2006	Year ended 31 July 2005
Management	4	4
Admin	5	5
Production and sales	8	17
	<u>17</u>	<u>26</u>

5. DIRECTORS' REMUNERATION

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Emoluments	<u>£ 160,808</u>	<u>£ 165,182</u>
Company pension contributions to money purchase pension schemes	<u>£ 6,934</u>	<u>£ 4,156</u>

During the period retirement benefits were accruing to 1 director (2005 - 1) in respect of money purchase pension schemes

6 INTEREST PAYABLE

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
On bank loans and overdrafts	33,740	33,791
On finance leases and hire purchase contracts	6,101	9,326
	<u>£ 39,841</u>	<u>£ 43,117</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

7. TAXATION

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Tax on profit on ordinary activities	£ -	£ -

Factors affecting tax charge for period

No liability to UK Corporation tax arose on ordinary activities for the year period ended 31 December 2006 nor the year ended 31 July 2005 due to the trading losses which are available to carry forward to future periods

Factors that may affect future tax charges

The company has accumulated tax losses of approximately £1,420,000 which are available to be carried forward and set against future taxable profits

8. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost or valuation					
At 1 August 2005	760,000	314,367	255,050	188,094	1,517,511
Additions	-	-	-	12,165	12,165
Disposals	-	-	(14,734)	(29,835)	(44,569)
At 31 December 2006	760,000	314,367	240,316	170,424	1,485,107
Depreciation					
At 1 August 2005	30,400	303,324	144,815	134,537	613,076
Charge for the period	10,767	3,329	38,395	10,870	63,361
On disposals	-	-	(10,072)	(18,971)	(29,043)
At 31 December 2006	41,167	306,653	173,138	126,436	647,394
Net book value					
At 31 December 2006	£ 718,833	£ 7,714	£ 67,178	£ 43,988	£ 837,713
At 31 July 2005	£ 729,600	£ 11,043	£ 110,235	£ 53,557	£ 904,435

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

Land and building relate to long leasehold property

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	31 December 2006	31 July 2005
	£	£
Plant and machinery	£ -	£ 61,441

Cost or valuation at 31 December 2006 is represented by

	Long Leasehold Property	Other assets	Totals
	£	£	£
Valuation in 1997	275,924	-	275,924
Valuation in 2001	260,000	-	260,000
Cost	224,076	725,107	944,183
	760,000	725,107	1,485,107

If the leasehold land and buildings had not been revalued they would have been included at the following historical cost

	As at 31 December 2006	As at 31 July 2005
	£	£
Cost	224,076	224,076
Aggregate depreciation	26,827	24,586

The directors do not consider the open market value of the leasehold property to be materially different from the book value

9. FIXED ASSET INVESTMENTS

	Total £
Cost	
At 1 August 2005 and 31 December 2006	£ -

The company's investment at the balance sheet date was in Lantern (Real Estate) Limited, a dormant company. The company is a 100% subsidiary.

10 STOCKS

	31 December 2006	31 July 2005
	£	£
Work in progress	3,291,997	-
Land for development	4,448,783	1,546,654
	£ 7,740,780	£ 1,546,654

Work in progress includes £197,887 in respect of interest and finance charges on development projects

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

11 DEBTORS

	31 December	31 July
	2006	2005
	£	£
Due after more than one year		
Other debtors	-	87,038
Due within one year		
Trade debtors	1,065,483	511,944
Other debtors	58,567	127,978
Prepayments and accrued income	21,868	31,511
Amounts recoverable on contracts	66,133	4,494,000
	<u>£ 1,212,051</u>	<u>£ 5,252,471</u>

12. CREDITORS:
Amounts falling due within one year

	31 December	31 July
	2006	2005
	£	£
Bank loans and overdrafts	6,870,401	4,704,010
Net obligations under finance leases and hire purchase contracts	-	29,064
Trade creditors	1,677,057	1,541,091
Amounts owed to group undertakings	3,000	3,000
Amounts owed to related undertakings	211,360	-
Social security and other taxes	26,775	40,190
Other creditors	540,577	-
Accruals and deferred income	49,902	-
	<u>£ 9,379,072</u>	<u>£ 6,317,355</u>

13. CREDITORS.
Amounts falling due after more than one year

	31 December	31 July
	2006	2005
	£	£
Trade creditors	<u>£ -</u>	<u>£ 101,095</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

The bank holds the deeds/charge certificates (as appropriate) of properties over which it has a first legal mortgage There is also an unscheduled mortgage debenture dated 2 August 2005

A first legal mortgage dated 11 January 2006 over freehold of 71 Waltham Avenue, and 56 & 58 Grange Road, Guildford

Leasehold charge over Land and buildings at Site 3, Middleton Industrial Estate, Middleton Road, Guildford

First legal charge over 101 Portsmouth Road, Guildford granted by L T Deeprise Limited dated 14 December 2005

All monies debenture granted by L T Deeprise Limited over the whole assets of the company dated 14 December 2005

14. SHARE CAPITAL

	31 December 2006 £	31 July 2005 £
Authorised		
10,000 Ordinary shares of £1 each	£ 10,000	£ 10,000
Allotted, called up and fully paid		
9,975 Ordinary shares of £1 each	£ 9,975	£ 9,975

15. RESERVES

Revaluation reserve	£
At 1 August 2005	603,983
Depreciation on revaluation of leasehold property	(7,600)
	<u>£ 596,383</u>
At 31 December	<u>£ 596,383</u>
Profit and loss account	£
At 1 August 2005	671,164
Loss retained for the period	(873,649)
Transfer from revaluation reserve	7,600
	<u>£ (194,885)</u>
At 31 December	<u>£ (194,885)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 2006 £	31 July 2005 £
Loss for the period	(873,649)	(145,575)
	<u>(873,649)</u>	<u>(145,575)</u>
Opening shareholders' funds	1,285,147	1,430,722
Closing shareholders' funds	<u><u>£ 411,498</u></u>	<u><u>£ 1,285,147</u></u>

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Operating loss	(833,814)	(102,740)
Depreciation of tangible fixed assets	63,361	56,609
Loss on disposal of tangible fixed assets	11,577	4,396
(Increase)/decrease in stocks	(6,194,125)	1,378,324
Decrease/(increase) in debtors	4,040,420	(2,613,973)
Increase in creditors	611,933	38,472
Increase in amounts owed to participating interests	211,360	-
NET CASH OUTFLOW FROM OPERATIONS	<u><u>£ (2,089,288)</u></u>	<u><u>£ (1,238,912)</u></u>

18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	6	282
Interest paid	(33,740)	(33,791)
Hire purchase interest	(6,101)	(9,326)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u><u>£ (39,835)</u></u>	<u><u>£ (42,835)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(12,165)	(44,623)
Sale of tangible fixed assets	3,950	5,301
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	£ (8,215)	£ (39,322)

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
FINANCING		
New secured loans	2,268,964	-
Principal payment under finance lease	(29,064)	-
NET CASH INFLOW FROM FINANCING	£ 2,239,900	£ -

19 ANALYSIS OF CHANGES IN NET DEBT

	1 August 2005 £	Cash flow £	Other non-cash changes £	31 December 2006 £
Cash at bank and in hand	37	(11)	-	26
Bank overdraft	(829,475)	102,573	-	(726,902)
	(829,438)	102,562	-	(726,876)
DEBT :				
Finance leases	(29,064)	29,064	-	-
Debts due within one year	(3,874,535)	(2,268,964)	-	(6,143,499)
NET DEBT	£(4,733,037)	£(2,137,338)	£ -	£(6,870,375)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

20 PENSION COMMITMENTS

The company operates a defined benefit pension scheme

The amounts mentioned below for the period ended 31 December 2006, relating to pensions, are based on a on actuarial valuation dated 29 March 2007

The contribution made for the period ended 31 December 2006 was £54,631 The agreed contribution rate for future years is 20%

The main financial assumptions used in the actuarial valuation were as follows:

	2006	2005
	%	%
Inflation	2.6	2.6
Rate of increase in salaries	3.0	3.0
Rate of increase for pensions	2.6	2.5
Discount rate for liabilities	4.8	5.0
Deferred pension revaluation	2.6	2.6

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 December 2006 %	Value at 31 December 2006 £	Long-term rate of return expected at 31 July 2005 %	Value at 31 July 2005 £
Equities	7.4	1,271,000	7.4	1,165,000
Bonds	4.6	339,000	4.5	101,000
Other	4.6	83,000	4.5	113,000
Total market value of assets		1,693,000		1,379,000
Present value of scheme liabilities		(1,973,000)		(1,655,000)
Net pension liability		£ (280,000)		£ (276,000)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 31 December 2006 and 31 July 2005 would be as follows

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Net assets excluding pension liability	411,498	1,285,147
Pension liability	(280,000)	(276,000)
Net assets including pension liability	£ 131,498	£ 1,009,147
Profit and loss reserve excluding pension liability	(194,885)	671,164
Pension reserve	(280,000)	(276,000)
Profit and loss reserve	£ (474,885)	£ 395,164

The following amounts would have been recognised in the performance statements in the year to 31 December 2006 and 31 July 2005 under the requirements of FRS17

	17 months ended 31 December 2006 £	Year ended 31 July 2005 £
Operating profit		
Current service cost	75,000	77,000
Total operating charge	£ 75,000	£ 77,000
Other financial income		
Expected return on pension scheme assets	139,000	112,000
Interest on pension scheme liabilities	(117,000)	(104,000)
Net return	£ 22,000	£ 8,000
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	117,000	219,000
Experience gains and losses arising on the scheme liabilities	(58,000)	(152,000)
Changes in assumptions underlying the present value of the scheme liabilities	(85,000)	(31,000)
Actuarial loss recognised in STRGL	£ (26,000)	£ 36,000

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2006

	17 months ended 31 December 2006 £	
Movements in deficit during the period		
(Deficit)/surplus in scheme at beginning of period		(276,000)
Current year service cost		(75,000)
Contributions		75,000
Other finance income		22,000
Actuarial loss		(26,000)
Deficit in scheme at end of period		£ (280,000)
History of experience gains and losses in the scheme	17 months ended 31 December 2006	Year ended 31 July 2005
Difference between the expected and actual return on scheme assets		
Amount (£)	117,000	219,000
Percentage of scheme assets	(6.9)%	(16.0)%
Experience gains and losses on scheme liabilities		
Amount (£)	(58,000)	(152,000)
Percentage of the present value of the scheme liabilities	2.9%	9.0%
Total amount recognised in statement of total recognised gains and losses		
Amount (£)	(26,000)	36,000
Percentage of the present value of the scheme liabilities	(1.3)%	11.0%

21. OPERATING LEASE COMMITMENTS

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	31 December 2006 £	31 July 2005 £
Expiry date:		
After more than 5 years	10,570	10,570

22. DIRECTORS' PERSONAL GUARANTEES

N J Earley, a director of the company, has provided personal guarantee to the extent of £350,000

23. RELATED PARTY TRANSACTIONS

During the period, Atlas Cleaning Limited, a company under the control of the directors N J Earley and R W Empson met expenses to the extent of £211,360 which remained unpaid at the period end CLM Limited which is also under the control of the directors N J Earley and R W Empson, incurred charges on behalf of the company to the extent of £452,000 which was due to CLM Limited at the period end