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**L.T. DEEPROSE LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2007**

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**L.T. DEEPROSE LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

N J Earley  
R W Empson

**COMPANY SECRETARY**

N J Earley

**COMPANY NUMBER**

585437

**REGISTERED OFFICE**

82 Hampton Road West  
Hanworth  
Middlesex  
TW13 6DZ

**AUDITORS**

Barnes Roffe LLP  
Chartered Accountants & Registered Auditors  
3 Brook Business Centre  
Cowley Mill Road  
Uxbridge  
Middlesex  
UB8 2FX

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**L.T. DEEPROSE LIMITED**

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**L.T. DEEPROSE LIMITED**

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**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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The directors present their report and the financial statements for the year ended 31 December 2007.

**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.

**PRINCIPAL ACTIVITIES**

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

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## **L.T. DEEPROSE LIMITED**

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### **DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007**

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#### **BUSINESS REVIEW**

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 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.

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 manages its business by reference to key performance indicators on an ongoing basis. The KPIs include turnover which has fallen by 2% to £9,091,762, with loss before tax increasing by 4.1% to £909,579 (2006 - £873,649 loss). Labour, subcontractor costs and materials are measured against individual contracts and as a percentage of sales. Liquidity is measured by monitoring absolute cash balances and by reference to the company's net asset ratio. Balance of turnover, and target contracts are also monitored on an ongoing basis. Monthly management accounts are produced to confirm ongoing profitability on all developments and contract work.

The company is confident that the changes effected will allow it to reverse the four 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.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £909,579 (2006 - loss £873,649).

The directors do not recommend the payment of a dividend.

#### **DIRECTORS**

The directors who served during the year were:

N J Earley  
R W Empson  
P Deeprise (resigned 31 July 2007)  
M Bayliss (resigned 30 March 2007)

#### **FINANCIAL INSTRUMENTS**

The company's principal financial instruments comprise bank balances, bank overdrafts, and bank borrowing facilities on specific projects. The main purposes 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.

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**L.T. DEEPROSE LIMITED**

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**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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**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 2008 results will be greatly improved.

**PROVISION OF INFORMATION TO AUDITORS**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, Barnes Roffe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *13<sup>th</sup> October, 2009* and signed on its behalf.



**N J Earley**  
Secretary

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## **L.T. DEEPROSE LIMITED**

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

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We have audited the financial statements of L.T. Deeprose Limited for the year ended 31 December 2007, set out on pages 6 to 21. 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 Auditors' 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.

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**L.T. DEEPROSE LIMITED**

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

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**QUALIFIED OPINION ARISING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT**

As disclosed in note 18, no provision has been made in the financial statements for the projected deficit in the company's final salary pension scheme. In our opinion this is not in accordance with Financial Reporting Standard (FRS) 17.

If full (provision)/surplus had been made in the prior year financial statements in accordance with FRS17, the provision would have been £280,000. The corresponding surplus as at 31 December 2007 would be £105,000. The profits and losses in the financial statements would be adjusted as shown in note 18 to the accounts resulting in an increase in losses of £4,000 for 2006 and a decrease in losses of £385,000 for 2007.

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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then 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.

**EMPHASIS OF MATTER - GOING CONCERN**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.8 to the financial statements concerning the company's ability to continue as a going concern. The matters explained in note 1.8 to the financial statements, indicate the existence of a material uncertainty which may cast doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

*Barnes Roffe LLP*

**BARNES ROFFE LLP**

Chartered Accountants  
Registered Auditors

3 Brook Business Centre  
Cowley Mill Road  
Uxbridge  
Middlesex  
UB8 2FX

Date: *14 October 2009*



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**L.T. DEEPROSE LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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		<b>Year ended 31 December 2007 £</b>	<b>17 months ended 31 December 2006 £</b>
	<b>Note</b>		
<b>TURNOVER</b>	1,2	<b>9,091,762</b>	<b>9,276,534</b>
Cost of sales		<b>(9,315,624)</b>	<b>(8,853,856)</b>
		<hr/>	<hr/>
<b>GROSS (LOSS)/PROFIT</b>		<b>(223,862)</b>	<b>422,678</b>
Administrative expenses		<b>(655,853)</b>	<b>(1,256,492)</b>
		<hr/>	<hr/>
<b>OPERATING LOSS</b>	3	<b>(879,715)</b>	<b>(833,814)</b>
Interest receivable		<b>347</b>	<b>6</b>
Interest payable	6	<b>(30,211)</b>	<b>(39,841)</b>
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(909,579)</b>	<b>(873,649)</b>
Tax on loss on ordinary activities	7	<b>-</b>	<b>-</b>
		<hr/>	<hr/>
<b>LOSS FOR THE FINANCIAL YEAR</b>	13	<b>(909,579)</b>	<b>(873,649)</b>
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

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**L.T. DEEPROSE LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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	<b>Note</b>	<b>Year ended 31 December 2007 £</b>	<b>17 months ended 31 December 2006 £</b>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(909,579)</b>	<b>(873,649)</b>
Unrealised deficit on revaluation of properties		<u>(7,600)</u>	<u>(7,600)</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<b><u>(917,179)</u></b>	<b><u>(881,249)</u></b>

The notes on pages 10 to 21 form part of these financial statements.

**L.T. DEEPROSE LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2007**

	Note	£	2007 £	£	2006 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	8		779,325		837,713
<b>CURRENT ASSETS</b>					
Stocks	9	2,949,750		7,740,780	
Debtors	10	877,097		1,212,051	
Cash at bank		91		26	
		<u>3,826,938</u>		<u>8,952,857</u>	
<b>CREDITORS:</b> amounts falling due within one year	11	<u>(5,104,344)</u>		<u>(9,379,072)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(1,277,406)</u>		<u>(426,215)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(498,081)</u>		<u>411,498</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		9,975		9,975
Revaluation reserve	13		588,783		596,383
Other reserves	13		25		25
Profit and loss account	13		<u>(1,096,864)</u>		<u>(194,885)</u>
<b>SHAREHOLDERS' (DEFICIT)/FUNDS</b>	14		<u>(498,081)</u>		<u>411,498</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

13<sup>th</sup> October, 2009



**N J Earley**  
Director

The notes on pages 10 to 21 form part of these financial statements.

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**L.T. DEEPROSE LIMITED**

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**CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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		<b>Year ended 31 December 2007 £</b>	<b>17 months ended 31 December 2006 £</b>
	<b>Note</b>		
Net cash flow from operating activities	15	<b>3,589,446</b>	<b>(2,089,289)</b>
Returns on investments and servicing of finance	16	<b>(29,864)</b>	<b>(39,835)</b>
Capital expenditure and financial investment	16	<b>21,899</b>	<b>(8,215)</b>
<b>CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>3,581,481</b>	<b>(2,137,339)</b>
Financing	16	<b>(3,589,246)</b>	<b>2,239,900</b>
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(7,765)</b>	<b>102,561</b>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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	<b>Year ended 31 December 2007 £</b>	<b>17 months ended 31 December 2006 £</b>
(Decrease)/Increase in cash in the year	<b>(7,765)</b>	<b>102,561</b>
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	<b>3,589,246</b>	<b>(2,239,900)</b>
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>3,581,481</b>	<b>(2,137,339)</b>
Net debt at 1 January 2007	<b>(6,870,375)</b>	<b>(4,733,036)</b>
<b>NET DEBT AT 31 DECEMBER 2007</b>	<b>(3,288,894)</b>	<b>(6,870,375)</b>

The notes on pages 10 to 21 form part of these financial statements.

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## L.T. DEEPROSE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

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

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 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.

##### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation 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

##### 1.4 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.

##### 1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### 1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

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## **L.T. DEEPROSE LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2007**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **1.7 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

##### **1.8 Pensions**

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 29 September 2009.

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.

##### **1.9 Going concern**

The accounts have been prepared on the going concern basis despite the fact the company has net liabilities of £498,081.

Significant creditors of the company are to associated companies and the directors of these companies have confirmed they will continue to support the company and not seek repayment of the loans until the company has the financial resources to repay the loan.

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 the basis of continued support from the associated companies, the directors consider it appropriate to prepare accounts on the going concern basis.

**L.T. DEEPROSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

**2. TURNOVER**

All turnover arose within the United Kingdom.

**3. OPERATING LOSS**

The operating loss is stated after charging:

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
Depreciation of tangible fixed assets:		
- owned by the company	24,000	63,361
Auditors' remuneration	3,500	8,120
Operating lease rentals:		
- other operating leases	10,570	26,975
	<u>10,570</u>	<u>26,975</u>

**4. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
Wages and salaries	556,478	1,088,118
Social security costs	45,898	105,537
Other pension costs	34,873	61,564
	<u>637,249</u>	<u>1,255,219</u>

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

	Year ended 31 December 2007 No.	17 months ended 31 December 2006 No.
Management	4	4
Administration	5	5
Production and sales	5	8
	<u>14</u>	<u>17</u>

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**L.T. DEEPROSE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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**5. DIRECTORS' REMUNERATION**

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
Emoluments	<u>39,380</u>	<u>160,808</u>
Company pension contributions to money purchase pension schemes	<u>2,730</u>	<u>6,934</u>

During the year retirement benefits were accruing to 1 director (2006 - 1) in respect of money purchase pension schemes.

**6. INTEREST PAYABLE**

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
On bank loans and overdrafts	30,211	33,740
On finance leases and hire purchase contracts	-	6,101
	<u>30,211</u>	<u>39,841</u>

**7. TAXATION**

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
UK corporation tax charge on loss for the year/period	<u>-</u>	<u>-</u>

**Factors affecting tax charge for the year/period**

No liability to UK Corporation tax arose on ordinary activities for the year ended 31 December 2007 or the period ended 31 December 2006 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 £2,280,000 which are available to be carried forward and set against future trading profits.



**L.T. DEEPROSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

**8. TANGIBLE FIXED ASSETS**

	Land and buildings £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2007	760,000	314,367	240,316	170,424	1,485,107
Additions	-	-	-	1,200	1,200
Disposals	-	-	(95,844)	(6,163)	(102,007)
At 31 December 2007	760,000	314,367	144,472	165,461	1,384,300
<b>Depreciation</b>					
At 1 January 2007	41,167	306,653	173,138	126,436	647,394
Charge for the year	7,600	1,684	8,525	6,191	24,000
On disposals	-	-	(62,764)	(3,655)	(66,419)
At 31 December 2007	48,767	308,337	118,899	128,972	604,975
<b>Net book value</b>					
At 31 December 2007	711,233	6,030	25,573	36,489	779,325
At 31 December 2006	718,833	7,714	67,178	43,988	837,713

Cost or valuation at 31 December 2007 is as follows:

	Land and buildings £
<b>At cost</b>	224,076
<b>At valuation:</b>	
Valuation in 1997	275,924
Valuation in 2001	260,000
	<u>760,000</u>

The directors do not consider the open market value of the leasehold property to be materially different from the book value. The property was revalued by the previous directors in 1997 and 2001.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2007 £	2006 £
Cost	224,076	224,076
Accumulated depreciation	(29,068)	(26,827)
Net book value	<u>195,008</u>	<u>197,249</u>

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**L.T. DEEPROSE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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**9. STOCKS**

	2007 £	2006 £
Work in progress	2,949,750	3,291,997
Land for development	-	4,448,783
	<u>2,949,750</u>	<u>7,740,780</u>

Work in progress includes £285,573 in respect of interest and finance charges on development projects.

**10. DEBTORS**

	2007 £	2006 £
Trade debtors	294,109	1,065,483
Amounts owed by group undertakings	534,598	-
Other debtors	46,112	124,700
Prepayments and accrued income	2,278	21,868
	<u>877,097</u>	<u>1,212,051</u>

**11. CREDITORS:  
Amounts falling due within one year**

	2007 £	2006 £
Bank loans and overdrafts	3,288,985	6,870,401
Trade creditors	775,230	1,677,057
Amounts owed to group undertakings	3,000	3,000
Social security and other taxes	15,758	26,775
Other creditors	987,151	751,937
Accruals and deferred income	34,220	49,902
	<u>5,104,344</u>	<u>9,379,072</u>

The bank holds the deeds/charge certificates (as appropriate) of properties over which it has 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.

**L.T. DEEPROSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

**12. SHARE CAPITAL**

	2007 £	2006 £
<b>Authorised</b>		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
9,975 Ordinary shares of £1 each	<u>9,975</u>	<u>9,975</u>

**13. RESERVES**

	Revaluation reserve £	Other reserves £	Profit and loss account £
At 1 January 2007	596,383	25	(194,885)
Loss for the year			(909,579)
Transfer between Revaluation reserve and P/L account	(7,600)		7,600
At 31 December 2007	<u>588,783</u>	<u>25</u>	<u>(1,096,864)</u>

**14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2007 £	2006 £
Opening shareholders' funds	411,498	1,285,146
Loss for the year/period	(909,579)	(873,648)
Closing shareholders' (deficit)/funds	<u>(498,081)</u>	<u>411,498</u>

**15. NET CASH FLOW FROM OPERATING ACTIVITIES**

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
Operating loss	(879,715)	(833,814)
Depreciation of tangible fixed assets	24,000	63,361
Loss on disposal of tangible fixed assets	12,489	11,577
Decrease/(increase) in stocks	4,791,030	(6,194,125)
Decrease in debtors	869,552	4,040,420
(Increase)/decrease in amounts owed by group undertakings	(534,598)	211,360
(Decrease)/increase in creditors	(693,312)	608,932
Increase in amounts owed to group undertakings	-	3,000
<b>Net cash inflow/(outflow) from operations</b>	<u>3,589,446</u>	<u>(2,089,289)</u>

**L.T. DEEPROSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
<b>Returns on investments and servicing of finance</b>		
Interest received	347	6
Interest paid	(30,211)	(33,740)
Hire purchase interest	-	(6,101)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(29,864)</b>	<b>(39,835)</b>
	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,200)	(12,165)
Sale of tangible fixed assets	23,099	3,950
<b>Net cash inflow/(outflow) from capital expenditure</b>	<b>21,899</b>	<b>(8,215)</b>
	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
<b>Financing</b>		
Repayment of loans	(3,589,246)	-
New secured loans	-	2,268,964
Repayment of finance leases	-	(29,064)
<b>Net cash (outflow)/inflow from financing</b>	<b>(3,589,246)</b>	<b>2,239,900</b>

**L.T. DEEPROSE LIMITED**

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**17. ANALYSIS OF CHANGES IN NET DEBT**

	1 January 2007 £	Cash flow £	Other non-cash changes £	31 December 2007 £
Cash at bank and in hand:	26	65	-	91
Bank overdraft	(726,902)	(7,830)	-	(734,732)
	<u>(726,876)</u>	<u>(7,765)</u>	<u>-</u>	<u>(734,641)</u>
<b>Debt:</b>				
Finance leases	-	-	-	-
Debts due within one year	(6,143,499)	3,589,246	-	(2,554,253)
<b>Net debt</b>	<u>(6,870,375)</u>	<u>3,581,481</u>	<u>-</u>	<u>(3,288,894)</u>

**18. PENSION COMMITMENTS**

The company operates a funded defined benefit pension scheme for its employees. During the year ended 31 December 2007 the employer paid contributions of £35,000 to the scheme.

The amounts mentioned below for the period ended 31 December 2007, relating to pensions, are based on an actuarial valuation dated 29 September 2009.

The company expects to contribute £20,000 to this defined benefit pension plan in the year to 31 December 2008.

The main financial assumptions used in the actuarial valuation were:

	2007 %	2006 %	2005 %
Inflation	2.8	2.6	2.6
Rate of increase in salaries	NIL	3.0	3.0
Rate of increase for pensions	2.7	2.6	2.5
Discount rate for liabilities	6.2	4.8	5.0
Deferred pension revaluation	2.7	2.6	2.6

**L.T. DEEPROSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. PENSION COMMITMENTS (continued)**

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

	Long-term rate of return expected at 31 December 2007 %	Value at 31 December 2007 £	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	6.9	1,240,000	7.4	1,271,000	7.4	1,165,000
Bonds	5.7	334,000	4.6	339,000	4.5	101,000
Other	2.0	187,000	4.6	83,000	4.5	113,000
Total market value of assets		<u>1,761,000</u>		<u>1,693,000</u>		<u>1,379,000</u>
Present value of scheme liabilities		<u>(1,656,000)</u>		<u>(1,973,000)</u>		<u>(1,655,000)</u>
Net pension asset/(liability)		<u>105,000</u>		<u>(280,000)</u>		<u>(276,000)</u>

If the above amounts had been recognised in the financial statements, the company's net assets and Profit and loss account reserve at 31 December 2007 and 31 December 2006 would be as follows:

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
Net (liabilities)/assets excluding pension scheme assets/(liabilities)	(498,081)	411,498
Pension assets/(liabilities)	<u>105,000</u>	<u>(280,000)</u>
Net (liabilities)/assets including pension scheme assets/(liabilities)	<u>(393,081)</u>	<u>131,498</u>
Profit and loss reserve excluding pension scheme assets/(liabilities)	(1,096,864)	(194,885)
Pension reserve	<u>105,000</u>	<u>(280,000)</u>
Profit and loss reserve	<u>(991,864)</u>	<u>(474,885)</u>

**L.T. DEEPROSE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

**18. PENSION COMMITMENTS (continued)**

The following amounts would have been recognised in the financial statements in the year to 31 December 2007 and 31 December 2006 under the requirements of FRS17:

	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
<b>Operating loss</b>		
Current service cost	36,000	75,000
Total operating charge	<u>36,000</u>	<u>75,000</u>
<b>Other finance income</b>		
Expected return on pension scheme assets	112,000	22,000
Interest on pension scheme liabilities	(95,000)	-
Net return	<u>17,000</u>	<u>22,000</u>
	Year ended 31 December 2007 £	17 months ended 31 December 2006 £
<b>Movements in surplus/(deficit) during the year:</b>		
Deficit in scheme at beginning of year	(280,000)	(276,000)
Current year service cost	(36,000)	(75,000)
Contributions	35,000	75,000
Other finance income	17,000	22,000
Actuarial loss	-	(26,000)
Actuarial gain	369,000	-
Other item - user input	-	-
Surplus/(deficit) in scheme at end of year	<u>105,000</u>	<u>(280,000)</u>

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**L.T. DEEPROSE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2007**

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**19. OPERATING LEASE COMMITMENTS**

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Expiry date:</b>		
After more than 5 years	<b>10,570</b>	<b>10,570</b>

**20. DIRECTORS' PERSONAL GUARANTEES**

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

**21. RELATED PARTY TRANSACTIONS**

During the year, Atlas Cleaning Limited, a company under the control of the directors N J Earley and R W Empson met expenses to the extent of £215,791 (2006 - £211,360). At the year end, the company owed Atlas Cleaning Limited £427,151 (2006 - £211,360).

Included in debtors is an amount owed by Atlas New Homes Limited, a company under the control of the directors N J Earley and R W Empson, of £534,598 (2006 - £Nil).

Included in other creditors is an amount due to CLM Limited, a company under the control of directors N J Earley and R W Empson, of £560,000 (2006 - £540,577).

**22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company is a wholly owned subsidiary of Deeprise Development Limited.