

Southwark Investments Limited
Annual report
for the year ended 31 December 2006

Registered number: 1167969 (England)

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Southwark Investments Limited

Annual report

for the year ended 31 December 2006

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Southwark Investments Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activities and business review

The company's principal activities relate to the promotion of project development and design, with much of the activity within the commercial property market. The company also receives income from the rental of property.

During the year the company further developed Whitehill House and the surrounding land with a view to its future sale as a leisure and office complex.

The company was granted planning permission from Midlothian Council Planning Committee on the 15 March 2007. The permission was approved for 62 houses in five small groups, the building of two two storey offices, the construction of a new swimming pool and the provision of public walkways through the grounds.

Results and dividends

The loss on ordinary activities after taxation for the year was £253,765 (2005: loss £250,758). The directors do not recommend payment of a dividend for the year (2005: £nil).

Directors

The directors during the year were:

M R Rolwegan (Chairman)
A Butchart
Y Patel

Directors' interests

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

	Number of shares	
	31 December 2006	31 December 2005
M R Rolwegan	500	500

Creditor Payment policy

Payments are made to suppliers in accordance with general conditions of purchase (which are communicated to suppliers) or the specific terms agreed with suppliers.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year that 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 year. The directors are required to prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the accounts for the year ended 31 December 2006 and that applicable accounting standards have been followed.

Southwark Investments Limited

Directors' report for the year ended 31 December 2006 (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Directors' report for the year ended 31 December 2006 (continued)

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

Audit Information

In the case of each of the persons who are directors of the Company at the date when this report was approved

- So far as each of the directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- Each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board



M R Rolwegan

Director

2 August 2007

Southwark Investments Limited

Independent auditors' report to the members of Southwark Investments Limited

We have audited the financial statements of Southwark Investments Limited for the year ended 31 December 2006 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

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). 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 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.

Southwark Investments Limited

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 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A large, stylized handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style with some capitalization and lowercase letters mixed together.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Edinburgh

2 August 2007

Southwark Investments Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	1	225,837	79,575
Cost of sales		(60,898)	(39,189)
Gross profit		164,939	40,386
Administrative expenses		(352,728)	(346,880)
Operating loss		(187,789)	(306,494)
Net interest payable	3	(65,976)	(48,876)
(Loss)/profit on ordinary activities before taxation	4	(253,765)	(355,370)
Taxation on (Loss)/profit on ordinary activities	5	-	104,612
(Loss)/profit for the financial year	15	(253,765)	(250,758)

All operations relate to continuing activities

There is no difference between the (Loss)/profit on ordinary activities before taxation and the retained (Loss)/profit for the years stated above, and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 31 December 2006

	Note	2006 £	2005 £
(Loss)/profit for the financial year		(253,765)	(250,758)
Revaluation surplus for the year	16	-	-
Total recognised Losses/(gains) since last annual report		(253,765)	(250,758)

Southwark Investments Limited

Balance sheet as at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	6	1,236,898	1,244,769
Investments	7	4	4
		1,236,902	1,244,773
Current assets			
Stocks	8	2,745,670	2,745,670
Debtors	9	110,369	18,198
		2,856,039	2,763,868
Creditors: amounts falling due within one year	10	(1,484,474)	(1,146,409)
Net current assets		1,371,565	1,617,459
Total assets less current liabilities		2,608,467	2,862,232
Creditors: amounts falling due after one year	11	(677,520)	(677,520)
Net assets		1,930,947	2,184,712
Capital and reserves			
Called up share capital	14	50,000	50,000
Revaluation reserve	15	880,321	880,321
Profit and loss account	15	1,000,626	1,254,391
Equity shareholders' funds	16	1,930,947	2,184,712

The financial statements on pages 7 to 17 were approved by the board of directors on 2 August 2007 and were signed on its behalf by

MR Rolwegan

M R Rolwegan
Director
2 August 2007

Southwark Investments Limited

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. Compliance with SSAP 19 'Accounting for investment properties' requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given below. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain tangible fixed assets.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

Depreciation has been provided on all tangible fixed assets, except investment properties at the following annual rates:

Motor vehicles and plant	25% reducing balance
Furniture, fittings and office equipment	33% reducing balance

Investment properties

In accordance with SSAP 19, heritable investment properties are revalued annually by the directors (and every five years by independent valuers) and are not depreciated.

The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Companies Act had not been made the profit for the financial year would have been decreased by depreciation on the revalued properties of £6,094 (2005: increase in loss of £6,094).

Turnover

Turnover is stated exclusive of value added tax. The key classes of revenue are sale of development properties which is recognised on legal completion, that is on receipt of cash, and property rental income which is recognised on an accruals basis.

Stocks

Properties for resale and developments in progress are included at the lower of cost and net realisable value. Cost comprises the purchase price of land and property, direct costs and appropriate overheads, relating to current and proposed development projects where there is a reasonable degree of certainty that the latter will proceed.

Pensions

The company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company in a separately administered fund. The pension charge represents the amounts payable by the company to the fund in respect of the financial year. The amounts charged against profits represent the contributions to the defined contribution scheme in respect of the accounting year.

Southwark Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred taxation has been recognised as an asset or liability if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

Operating leases

Annual rentals for operating leases are charged to the profit and loss account over the lease term.

2 Employment costs

	2006	2005
	£	£
Wages and salaries	62,134	70,900
Social security costs	16,749	17,942
Pension costs	4,800	4,800
	83,683	93,642

The average weekly number of employees (including directors) employed during the year was

	2006	2005
	Number	Number
Office and management	5	5

	2006	2005
	£	£
Directors' emoluments	91,044	97,089

During the year the company contributed £4,800 (2005 £4,800) to a money purchase personal pension plan for one (2005 one) of the directors.

Southwark Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

3 Net interest payable

	2006	2005
	£	£
On bank overdraft	(65,976)	(50,264)
Other interest receivable	-	1,388
Net interest payable	(65,976)	(48,876)

4 Loss/(profit) on ordinary activities before taxation

This is stated after charging/(crediting)

	2006	2005
	£	£
Depreciation of tangible fixed assets	19,177	20,929
Auditors' remuneration - audit services	7,500	7,500
- tax compliance	2,000	2,500
Gain on disposal of tangible fixed assets	-	-
Operating lease rentals	18,000	22,000
Property rental income	(78,868)	(79,480)

5 Taxation on profit/(loss) on ordinary activities

(a) Analysis of tax charge for the period

	2006	2005
	£	£
Current year		
UK corporation tax on profit/(loss) for the year	-	(102,705)
Prior year adjustment	-	(1,907)
	-	(104,612)
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit/(loss) on ordinary activities	-	(104,612)

Southwark Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

(b) Factors affecting tax charge for the period

	2006	2005
	£	£
(Loss)/profit on ordinary activities before tax	(253,765)	(355,370)
Tax on ordinary activities multiplied by the standard rate in the UK of 19% (2004 30%)	(48,215)	(67,520)
Effects of		
Expenses not deductible for tax purposes	823	1,020
Deferred tax movement not recognised	47,392	(1,099)
Tax at marginal rates	-	(35,106)
Capital transactions	-	-
Adjustment to tax charge in respect of previous period	-	(1,907)
Current tax charge for the period (note 6(a))	-	(104,612)

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Notes to the financial statements for the year ended 31 December 2006 (continued)

6 Tangible fixed assets

	Heritable investment properties	Motor vehicles and plant	Fixtures, fittings and office equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2005	1,185,000	186,659	89,223	1,460,882
Additions	-	-	11,306	11,306
Disposals	-	-	-	-
At 31 December 2006	1,185,000	186,659	100,529	1,472,188
Depreciation				
At 1 January 2005	-	133,216	82,897	216,113
Disposals	-	-	-	-
Charge for year	-	13,360	5,817	19,177
At 31 December 2006	-	146,576	88,714	235,290
Net book value				
At 31 December 2006	1,185,000	40,083	11,815	1,236,898
At 31 December 2005	1,185,000	53,443	6,326	1,244,769

The company's heritable investment properties at Melville Street, Edinburgh were revalued as at 31 December 2004 on the basis of open market value for existing use by independent qualified valuers, Colliers CRE in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Their historical cost is £304,679 (2005: £304,679). The book values of the properties were adjusted to the revaluations and the resultant net surplus was credited to the revaluation reserve. The directors have reviewed the carrying value at the balance sheet date and believe it to remain appropriate.

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Notes to the financial statements for the year ended 31 December 2006 (continued)

7 Investment in subsidiaries

	2006	2005
	£	£
At 31 December	4	4

The company has two wholly owned subsidiaries, Southwark Project Management Limited and Southwark Project Services Limited. The subsidiaries' financial statements have not been consolidated, as they are immaterial. Both companies have an allotted share capital of 2 ordinary shares of £1 each and have been dormant during the year ended 31 December 2006.

8 Stocks

	2006	2005
	£	£
Developments in progress	2,707,812	2,707,812
Properties for resale	37,858	37,858
	2,745,670	2,745,670

9 Debtors

Amounts falling due within one year

	2006	2005
	£	£
Prepayments and accrued income	5,035	18,198
Corporation Tax	105,276	-
	110,311	18,198

Southwark Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

10 Creditors

Amounts falling due within one year

	2006	2005
	£	£
Bank overdraft	1,180,872	762,679
Trade creditors	91,501	143,101
Other taxes and social security	16,113	5,219
Accruals and deferred income	170,423	171,934
Corporation tax payable	-	37,911
Other creditors	25,565	25,565
	1,484,474	1,146,409

The bank overdraft is secured by a charge over certain properties held within developments in progress and heritable investment properties

Other creditors represents a loan due to M R Rolwegan, a director of the company. The loan is interest free and repayable on demand.

11 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Loan	677,520	677,520

This is an unsecured, interest free loan provided by J G Butchart, who is the controlling shareholder. The loan is repayable in full between two and five years.

12 Deferred taxation

The deferred taxation asset is as follows

	2006		2005	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Accelerated capital allowances	-	(3,385)	-	(3,978)
Losses	-	(98,101)	-	(50,116)
	-	(101,486)	-	(54,094)

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Notes to the financial statements for the year ended 31 December 2006 (continued)

13 Deferred taxation (continued)

Deferred taxation is based on a corporation tax rate of 19%. No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would only become payable if the property was sold without it being possible to claim rollover relief. The total amount unprovided for this is £77,440 (2005 £85,059). At present it is not envisaged that this tax will become payable in the foreseeable future.

	2006	2005
	£	£
Deferred tax liability as at 1 January	-	-
Charge to profit and loss account	-	-
Liability as at 31 December	-	-

14 Share capital

	2006	2005
	£	£
Authorised		
500,000 ordinary shares of £1 each	500,000	500,000
Allotted, called-up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

15 Reserves

	Profit and loss Account	Revaluation Reserve
	£	£
At 1 January 2006	1,254,391	880,321
(Loss)/profit for the financial year	(253,765)	-
At 31 December 2006	1,000,626	880,321

The revaluation reserve comprises the surplus on the revaluation of investment properties.

16 Reconciliation of movements in equity shareholders' funds

	2006	2005
	£	£
Loss/(profit) for the financial year	(253,765)	(250,758)
Revaluation surplus for the year	-	-
Opening shareholders' funds	2,184,712	2,435,470
Closing shareholders' funds	1,930,947	2,184,712

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Notes to the financial statements for the year ended 31 December 2006 (continued)

17 Analysis of changes in net debt

	At 1 January 2006 £	Cash flows £	At 31 December 2006 £
Net cash			
Bank overdraft	(762,679)	(418,135)	(1,180,814)
Debt			
Debts falling due after one year (note 11)	(677,520)	-	(677,520)
Net debt	(1,440,199)	(418,135)	(1,858,334)

18 Financial commitments

The company has the following annual commitments under operating leases for land and buildings expiring as follows

	2006 £	2005 £
Within one year	-	
Within two to five years	18,000	22,000

19 Ultimate controlling party

The company is controlled by Mr J G Butchart