

LYMINGTON INVESTMENTS LIMITED

Annual report and financial statements

For the year ended 31 December 2005



REPORT AND FINANCIAL STATEMENTS 2005

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REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

V Maitland OBE
Mrs M M Maitland
Miss A Maitland
S A Petterson
B G Ford FCA

SECRETARY

D L Jenkin FCA

REGISTERED OFFICE

9 Conning Tower
75 Haven Road
Poole
BH13 7LW

BANKERS

National Westminster Bank plc
5 Old Christchurch Road
Bournemouth
BH1 1DU

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Southampton

DIRECTORS' REPORT

The directors present their annual report on the company's affairs, together with the financial statements and independent auditors' report for the year ended 31 December 2005.

ACTIVITIES, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company is engaged in the property letting business.

The company has a total of 4 shops and 35 flats available for rent. Lettings continue at a satisfactory level and the directors are confident regarding the future.

RESULTS AND DIVIDENDS

The profit for the year was £33,202.(2004: £16,607). The results for the company are set out in detail on page 5. No dividends were paid in the year (2004: £nil).

DIRECTORS

The present membership of the Board is set out on page 1. All directors served throughout the year.

The directors' interests in the ordinary shares of the company at 31 December 2005 and 1 January 2005 were:

	Beneficial holdings	
	2005 No.	2004 No.
V Maitland OBE (joint family interest)	8,086*	8,086*
Mrs M M Maitland (joint family interest)	8,086*	8,086*
Miss A Maitland (family interest, 8,086 shares joint family interest)	48,564*	48,564*
S A Petterson	-	-
B G Ford FCA	-	-

*By virtue of position as beneficiary or partial beneficiary of certain trusts.

FIXED ASSETS

Land and buildings are held at a valuation of £5,139,692 (2004: £5,075,000); their original cost was £2,866,535 (2004: £2,808,560. A valuation was carried out at 31 December 2004 with no material change in value as at 31 December 2005.

POST BALANCE SHEET EVENTS

Changes to the shareholdings of the company occurred after the balance sheet date. The changes had no effect on the issued share capital of the company, nor did they impact upon the ultimate controlling party of the company.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

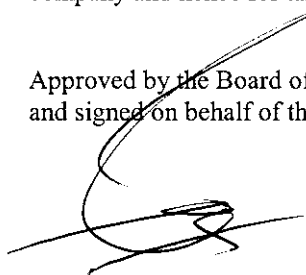
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors
and signed on behalf of the Board by



B G Ford
Director

Date: 23 May 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LYMINGTON INVESTMENTS LIMITED

We have audited the financial statements of Lymington Investments Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 16. 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

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

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the company is not disclosed.

We read the directors' report and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

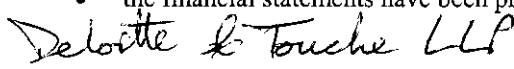
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

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 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Southampton, United Kingdom

Date : 1 June 2006

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER: continuing operations	1	262,148	218,530
Administrative expenses		(182,164)	(159,883)
OPERATING PROFIT: continuing operations		79,984	58,647
Interest receivable and similar income		44	40
Interest payable and similar charges	4	(33,843)	(31,781)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	46,185	26,906
Tax on profit on ordinary activities	6	(12,983)	(10,299)
PROFIT FOR THE FINANCIAL YEAR	13,14	33,202	16,607

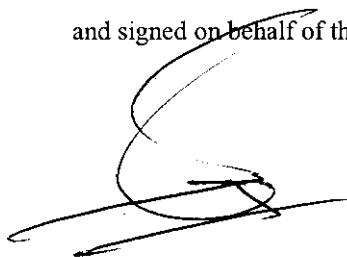
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2005

	2005 £	2004 £
Profit for the financial year	33,202	16,607
Unrealised surplus on revaluation of investment properties	-	1,899,672
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	33,202	1,916,279

BALANCE SHEET
31 December 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	7	5,243,202	5,200,171
CURRENT ASSETS			
Debtors	8	45,704	42,045
Cash at bank and in hand		25,945	30,251
		71,649	72,296
CREDITORS: amounts falling due within one year	9	(1,554,361)	(1,545,179)
NET CURRENT LIABILITIES		(1,482,712)	(1,472,883)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,760,490	3,727,288
CAPITAL AND RESERVES			
Called up share capital	12	52,854	52,854
Share premium account	13	1,100,358	1,100,358
Investment revaluation reserve	13	2,266,440	2,266,440
Profit and loss account	13	340,838	307,636
TOTAL EQUITY SHAREHOLDERS' FUNDS	14	3,760,490	3,727,288

These financial statements were approved by the Board of Directors on 23 May 2006
and signed on behalf of the Board of Directors by



B G Ford
Director

STATEMENT OF ACCOUNTING POLICIES

31 December 2005

The principal accounting policies are summarised below. They have been applied consistently throughout the year and preceding year.

Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and in accordance with applicable United Kingdom accounting standards.

Tangible fixed assets

Freehold properties comprise investment properties. Investment properties are included in the balance sheet at open market valuation. In accordance with SSAP 19 investment properties are revalued annually, and the aggregate surplus or deficit is transferred to an investment revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that because these properties are not held for consumption, but for their investment potential, to depreciate them would 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 Act had not been made, the profit for the year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Properties under construction fall under the scope of FRS15 although they will become investment properties on completion.

On other assets depreciation is provided on the cost of the assets over their estimated lives. The rates of depreciation are as follows:

Fixtures and fittings	-	15% - 25% reducing balance
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Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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 is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of Value Added Tax. Rental income is recognised in the financial statements on the date it is receivable.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. TURNOVER

All turnover is derived from trading activities derived from and undertaken within the United Kingdom.

2. STAFF COSTS

	2005 No.	2004 No.
The average monthly number of employees (including executive directors) was:		
Administration	4	4
	<hr/>	<hr/>
Their aggregate remuneration comprised:	£	£
Wages and salaries	70,828	60,486
Social security costs	6,766	5,499
	<hr/>	<hr/>
	77,594	65,985
	<hr/>	<hr/>

3. DIRECTORS' REMUNERATION, INTEREST AND TRANSACTIONS

	2005 £	2004 £
Directors' remuneration		
Emoluments (excluding pension contributions)	68,987	58,891
	<hr/>	<hr/>

Directors' interests

Details of directors' interests in the shares of the company are provided in the directors' report on page 2.

Directors' transactions

The transactions that have taken place are as detailed in note 15.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank interest	603	705
Other loan interest	33,240	31,076
	<hr/>	<hr/>
	33,843	31,781
	<hr/>	<hr/>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £	2004 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	6,844	4,500
Depreciation – owned assets	21,661	26,616
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
The tax charge comprises:		
Current tax:		
UK corporation tax	12,975	10,288
Deferred tax:		
Origination and reversal of timing differences	8	11
Total tax on profit on ordinary activities	<u>12,983</u>	<u>10,299</u>

The differences between the total current tax shown above and the amount calculated by applying the small company's rate of UK corporation tax to the profit before tax (2004 – small company's rate of UK corporation tax) is as follows:

	2005	2004
	£	£
Profit on ordinary activities before tax	46,185	26,906
Standard rate of tax	19.0%	19.0%
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	9.1%	19.3%
	<u>28.1%</u>	<u>38.3%</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

7. TANGIBLE FIXED ASSETS

	Investment properties freehold land and buildings £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 January 2005	5,075,000	235,400	5,310,400
Additions	64,692	-	64,692
At 31 December 2005	<u>5,139,692</u>	<u>235,400</u>	<u>5,375,092</u>
Depreciation			
At 1 January 2005	-	110,229	110,229
Charge for the year	-	21,661	21,661
At 31 December 2005	<u>-</u>	<u>131,890</u>	<u>131,890</u>
Net book value			
At 31 December 2005	<u>5,139,692</u>	<u>103,510</u>	<u>5,243,202</u>
At 31 December 2004	<u>5,075,000</u>	<u>125,171</u>	<u>5,200,171</u>
Comparable amounts determined according to the historical cost convention			
Cost at 1 January 2005	2,808,560	235,400	3,043,960
Additions	64,692	-	64,692
Accumulated depreciation	-	(131,890)	(131,890)
At 31 December 2005	<u>2,873,252</u>	<u>103,510</u>	<u>2,976,762</u>
At 31 December 2004	<u>2,808,560</u>	<u>125,171</u>	<u>2,933,731</u>

Investment properties are held at valuation. All such assets were valued on an open market value basis at 31 December 2004 by Cowling & West, Chartered Surveyors on completion of the existing development. The Directors do not believe that there has been any material change to the valuation during the year.

Investment properties with a net book value of £5,139,692 (2004 - £5,075,000) are held under charges as security on the company's borrowings, see note 10.

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

8. DEBTORS

	2005 £	2004 £
Trade debtors	697	1,274
Other debtors	30,704	27,341
Deferred tax asset (see note 11)	25	33
Prepayments and accrued income	14,278	13,397
	<u>45,704</u>	<u>42,045</u>

All amounts are due within one year. A deferred tax asset has been recognised which relates to capital allowances in excess of depreciation. The directors are of the opinion based on recent results that the level of profits in the next financial year will exceed the available capital allowances.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Other loan (note 10)	500,000	500,000
Other creditors	978,406	969,428
Corporation tax	12,975	16,043
Accruals and deferred income	62,980	59,708
	<u>1,554,361</u>	<u>1,545,179</u>

Creditors other than loans are unsecured, interest free and repayable on demand.

10. BORROWINGS

	2005 £	2004 £
Other loan (note 15)	<u>500,000</u>	<u>500,000</u>
Analysis of loan repayments:		
Other loan		
Within one year or on demand	<u>500,000</u>	<u>500,000</u>

The loan bears interest at 2% above Bank of England base rate and is secured by a charge on the freehold properties.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

11. DEFERRED TAXATION

	Balance at 1 January 2005 £	Charged to profit and loss account £	Balance at 31 December 2005 £
Depreciation in excess of capital allowances	(33)	8	(25)

The amount of deferred taxation provided as a deferred tax asset in the accounts is:

	2005 £	2004 £
Depreciation in excess of capital allowances	(25)	(33)

The company's freehold investment property is revalued in accordance with SSAP 19. No deferred tax has been provided on the gains arising from revaluations as such tax would only become payable if a property were sold without rollover relief being obtained and no binding sale agreement had been entered into at the balance sheet date. The estimated tax which would be payable in such circumstances is £430,624 at 31 December 2005 (2004: £430,624).

12. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised:		
100,000 ordinary shares of £1 each	100,000	100,000
Called up, allotted and fully paid:		
52,854 ordinary shares of £1 each	52,854	52,854

13. RESERVES

	Share premium account £	Investment revaluation reserve £	Profit and loss account £
Balance at 1 January 2005	1,100,358	2,266,440	307,636
Profit retained for the year	-	-	33,202
Balance at 31 December 2005	1,100,358	2,266,440	340,838

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	33,202	16,607
Other recognised gains and losses relating to the year	-	1,899,672
Net addition to shareholders' funds	33,202	1,916,279
Opening shareholders' funds	3,727,288	1,811,009
Closing shareholders' funds	3,760,490	3,727,288

15. RELATED PARTY TRANSACTIONS

The company is controlled by the Vernon Maitland 21 November 1997 Trust, of which the trustees are Rathbone Trustees Jersey Limited which owns 69% of the issued share capital.

Other creditors comprise an amount due to Maitland Investments Limited, a company in which the Vernon Maitland 21 November 1997 Trust owns shares.

Included within legal and professional fees are amounts paid to B G Ford, director of the company, for business consultancy advice, £4,081 (2004: £3,384).

The other loan represents funding received from B S Maitland Settlement on an arm's length normal commercial basis. V Maitland OBE, Mrs M M Maitland and Miss A Maitland, who are all directors, are the potential beneficiaries of the Trust. During the year the company incurred interest charges of £33,240 (2004 : £31,076) on the loan. The balance of the loan at 31 December 2005 was £500,000 (2004: £500,000).

16. POST BALANCE SHEET EVENTS

Changes to the shareholdings of the company occurred after the balance sheet date. The changes had no effect on the issued share capital of the company, nor did they impact upon the ultimate controlling party of the company. The principle change is that 10,946 ordinary shares are now held by Maitland Holdings Limited, which were previously held by trusts.