

COMPANY REGISTRATION NUMBER 2486334

**MACOB HOLDINGS LIMITED AND ITS
SUBSIDIARIES**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

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MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

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MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr R J Roberts
Mr M S Thomas
Mr D M Walters
Mr W Rees

Company secretary

Mr D M Walters

Registered office

2 Oldfield Road
Bocam Park
Bridgend
CF35 5LJ

Auditor

Clay Shaw Thomas Ltd
Chartered Accountants
& Statutory Auditor
2 Oldfield Road
Bocam Park
Bridgend
CF35 5LJ

Bankers

Barclays Bank Plc
Corporate Banking Centre
3rd Floor
Windsor Court
Windsor Place
Cardiff
CF10 3ZL

Solicitors

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2011

The directors present their report and the financial statements of the group for the year ended 30 June 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group during the year was that of land and property developers and building and civil engineering contractors.

The global economic downturn has been particularly damaging as regards the UK construction and property sectors (not least in South Wales) impacting heavily on the housing industry. The directors were therefore disappointed but not surprised by the results for the year for the Group.

Whilst the construction services companies (principally ground work and scaffolding), which represent the majority of the Group's turnover, have been profitable in 2011 substantial losses were attributable to the property development businesses arising from disposal or from writing down individual development projects to current market value. The effect of these losses has been to transform the Group's relatively healthy financial position in the space of just a few years into balance sheet insolvency.

In May 2012 a reorganisation of the Group took place, which involved the disposal of the principal trading and development companies to a new holding company, Macob Property Holdings Limited. This reorganisation enabled the directors to negotiate renewed banking facilities for the Macob Property Holdings Group to continue trading for the foreseeable future.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £9,767,207. The directors have not recommended a dividend.

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

FINANCIAL INSTRUMENTS

The group's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk and interest rate risk. The group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the group. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department. The group does not use derivative financial instruments for speculative purposes.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the group during the year together with their beneficial interests in the shares of the group were as follows:

	Ordinary Shares of £0.01 each	
	At 30 June 2011	At 1 July 2010
Mr R J Roberts	8,400	8,400
Mr M S Thomas	300	300
Mr D M Walters	1,000	1,000
Mr W Rees	-	-

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2011

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the group and of the profit or loss of the group for that year. 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DONATIONS

During the year the group made the following contributions

	2011	2010
	£	£
Charitable	<u>4,800</u>	<u>16,863</u>

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2011

POST BALANCE SHEET EVENT

Following corporate restructuring advice in February 2012 the directors made the decision to sell the principal construction services and development companies to a new holding company, Macob Property Holdings Limited (Formerly Macob Estates Limited), at an independent market valuation of £925,000. The reorganisation left Macob Holdings Limited with ownership of Macob Exchange Limited together with several dormant and non-trading subsidiaries.

In February 2012 the Group also disposed of its interest in shares in Macob Westgate Limited. The Group has provided for the write off of financial support provided to Macob Westgate Limited at the time of the disposal. This has been recognised as an exceptional item in the year ended 30 June 2011. The Group has retained an overage interest in the future potential development of the property sold with the Macob Westgate disposal.

DISABLED EMPLOYEES

Although the group does not currently employ any disabled persons, the policy in connection with disabled persons is included within the group employee handbook.

EMPLOYEE INVOLVEMENT

The employees are informed by each respective company director on a regular basis, regarding the performance of the company within the group. Each salaried employee also receives an annual appraisal where they have an opportunity to express any concerns over their own career development.

AUDITOR

Clay Shaw Thomas Ltd are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office.
2 Oldfield Road
Bocam Park
Bridgend
CF35 5LJ

Signed by order of the directors



MR D M WALTERS
Group Secretary

Approved by the directors on . 28/6/2012

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

YEAR ENDED 30 JUNE 2011

We have audited the group and parent company financial statements ("the financial statements") of Macob Holdings Limited and its Subsidiaries for the year ended 30 June 2011 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Group Company Balance Sheet, Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the group's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's shareholders 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 group and the group's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES *(continued)*

YEAR ENDED 30 JUNE 2011

BASIS FOR DISCLAIMER OF OPINION ON FINANCIAL STATEMENTS

In seeking to form an opinion on the financial statements we considered the implications of the significant uncertainties disclosed in the financial statements concerning the following matters

- as more fully explained in note 33 to the financial statements, there are a number of matters that may affect the ability of the company to continue as a going concern. The Group incurred a net loss of £9,767,207 during the year ended 30 June 2011 and, at that date, the Group's liabilities exceeded its total assets by £2,314,158. In note 33, the directors state that their opinion on the going concern basis used in the preparation of the financial statements is appropriate. This assumption is based on future development profits that could be generated from an overage interest retained in former subsidiary companies, which were disposed of to a new holding company in May 2012. The outcome of these overages is dependent on external factors such as planning, funding and economic confidence. In our opinion due to the lack of future development appraisals we are unable to assess the long term viability of these agreements.
- the directors of the Macob Holdings Group entered into discussions with the Group's principal bankers, Barclays Bank Plc, to obtain an additional facility that would secure its future. However, the directors were unable to secure a commitment from the bank for sufficient funding to continue trading in its current structure. As at the date of signing the Macob Holdings Group has been unable to secure an alternative source of finance.
- Julian Hodge Bank made a formal demand for repayment of its loan to, Macob Exchange Limited, as the company was in breach of its loan agreement. Due to the financial position of the company it is unable to meet its obligations in respect of this demand.
- Macob Holdings Limited, is in arrears with Government creditors. As at the date of signing the company is unable to meet these liabilities, and no payment arrangement has been agreed.
- Macob Holdings Limited has a contingent liability, as detailed in note 18, which if it crystallises would put the company in a greater insolvent position.

There is potential for the material uncertainties to interact with one another such that we have been unable to obtain sufficient appropriate audit evidence regarding the possible effect of the uncertainties taken together.

DISCLAIMER OF OPINION ON FINANCIAL STATEMENTS

Because of the significance of the possible impact of the uncertainties, described in the Basis for Disclaimer of Opinion on Financial Statements paragraph, to the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide an audit opinion. Accordingly we do not express an opinion on the financial statements.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES (continued)

YEAR ENDED 30 JUNE 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Arising from the limitation of our work referred to above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; and
- certain disclosures of directors' remuneration specified by law are not made



MR D GWYN J WILLIAMS B A , FCA
(Senior Statutory Auditor)
For and on behalf of
CLAY SHAW THOMAS LTD
Chartered Accountants
& Statutory Auditor

2 Oldfield Road
Bocam Park
Bridgend
CF35 5LJ

24/6/2012

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2011

	Note	2011 £	2010 £
GROUP TURNOVER	2	25,872,773	26,110,822
Cost of sales		<u>28,846,178</u>	<u>22,996,671</u>
GROSS (LOSS)/PROFIT		(2,973,405)	3,114,151
Administrative expenses		3,886,554	5,477,755
Other operating income	3	(58,487)	(118,732)
OPERATING LOSS	4	(6,801,472)	(2,244,872)
Attributable to			
Operating loss before exceptional items		(503,370)	(698,260)
Exceptional items	4	(6,298,102)	(1,546,612)
		(6,801,472)	(2,244,872)
Share of associate operating profit/loss	7	54,243	(97,134)
TOTAL OPERATING LOSS: GROUP AND SHARE OF ASSOCIATES		(6,747,229)	(2,342,006)
Profit/(loss) on disposal of fixed assets	8	123,756	(200,081)
(Loss)/profit on disposal of discontinued operations	9	(2,524,970)	525,342
		(9,148,443)	(2,016,745)
Interest receivable		4,291	3,627
Interest payable and similar charges	10	(661,979)	(670,637)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,806,131)	(2,683,755)
Tax on loss on ordinary activities	11	80,236	3,385
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(9,886,367)	(2,687,140)
Minority interests		(119,160)	(382,860)
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	12	(9,767,207)	(2,304,280)
LOSS FOR THE FINANCIAL YEAR		(9,767,207)	(2,304,280)

All of the activities of the group are classed as continuing

The company has taken advantage of section 408 of the Companies Act 2006
not to publish its own Profit and Loss Account

The notes on pages 14 to 32 form part of these financial statements.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****YEAR ENDED 30 JUNE 2011**

	2011	2010
	£	£
Loss for the financial year excluding share of profit/(loss) of associate	(9,821,450)	(2,207,146)
Share of associate profit/(loss) for the year	54,243	(97,134)
Loss attributable to shareholders of the parent group	(9,767,207)	(2,304,280)
Unrealised loss on revaluation of certain fixed assets	(431,650)	–
Unrealised loss on revaluation of Investments brought forward	(8,212)	–
Group revaluation surpluses	(10,207,069)	(2,304,280)
Total gains and losses recognised since the last annual report	(10,207,069)	(2,304,280)

The notes on pages 14 to 32 form part of these financial statements.

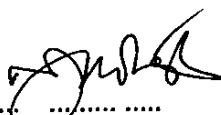
MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP BALANCE SHEET

30 JUNE 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Tangible assets	13	6,513,674	6,818,624
Investments	14	(494,652)	(556,504)
		<u>6,019,022</u>	<u>6,262,120</u>
CURRENT ASSETS			
Stocks	15	9,976,059	18,140,964
Debtors	16	9,746,235	11,419,322
Cash at bank and in hand		6,458,018	9,081,432
		<u>26,180,312</u>	<u>38,641,718</u>
CREDITORS: Amounts falling due within one year	19	29,527,113	36,548,619
NET CURRENT (LIABILITIES)/ASSETS		<u>(3,346,801)</u>	<u>2,093,099</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,672,221</u>	<u>8,355,219</u>
CREDITORS: Amounts falling due after more than one year	20	2,469,621	351,360
PROVISIONS FOR LIABILITIES			
Other provisions	22	2,516,758	-
		<u>(2,314,158)</u>	<u>8,003,859</u>
MINORITY INTERESTS		-	119,160
		<u>(2,314,158)</u>	<u>7,884,699</u>
CAPITAL AND RESERVES			
Called-up equity share capital	27	100	100
Share premium account	28	185,166	185,166
Revaluation reserve	29	68,350	500,000
Other reserves	30	57	57
Profit and loss account	31	(2,567,831)	7,199,376
(DEFICIT)/SHAREHOLDERS' FUNDS	32	<u>(2,314,158)</u>	<u>7,884,699</u>

These financial statements were approved by the directors and authorised for issue on 28/6/2012, and are signed on their behalf by.



 MR R J ROBERTS

The notes on pages 14 to 32 form part of these financial statements.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMPANY BALANCE SHEET

30 JUNE 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Tangible assets	13	155,564	370,405
Investments	14	252,060	238,590
		407,624	608,995
CURRENT ASSETS			
Stocks	15	1	1
Debtors	16	2,195,259	5,907,257
Cash at bank		1,111	1,293
		2,196,371	5,908,551
CREDITORS: Amounts falling due within one year	19	4,473,941	6,533,274
NET CURRENT LIABILITIES		(2,277,570)	(624,723)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,869,946)	(15,728)
CREDITORS: Amounts falling due after more than one year	20	—	250,000
		(1,869,946)	(265,728)
CAPITAL AND RESERVES			
Called-up equity share capital	27	100	100
Other reserves	30	5	5
Profit and loss account	31	(1,870,051)	(265,833)
DEFICIT		(1,869,946)	(265,728)

These financial statements were approved by the directors and authorised for issue on ..28/6/2012, and are signed on their behalf by.


.....
MR R J ROBERTS

Company Registration Number. 2486334

The notes on pages 14 to 32 form part of these financial statements.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES**GROUP CASH FLOW STATEMENT****YEAR ENDED 30 JUNE 2011**

	2011	2010
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,343,126	3,954,515
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	4,291	3,627
Interest paid	(648,069)	(666,464)
Interest element of hire purchase	(13,910)	(4,173)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(657,688)	(667,010)
TAXATION	(4,908)	243,777
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(907,399)	(595,656)
Receipts from sale of fixed assets	519,403	2,792,174
Acquisition of investments	(29,238)	—
Disposal of investments	—	1,366,747
NET CASH (OUTFLOW)/INFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(417,234)	3,563,265
ACQUISITIONS AND DISPOSALS		
Disposal of shares in group undertakings	—	1,398,323
Acquisition investments in participating interests	(81,652)	—
NET CASH (OUTFLOW)/INFLOW FROM ACQUISITIONS AND DISPOSALS	(81,652)	1,398,323
CASH INFLOW BEFORE FINANCING	1,181,644	8,492,870
FINANCING		
New bank loans	—	4,450,000
Repayment of bank loans	(4,097,918)	(16,694,527)
Capital element of hire purchase	374,512	(455,502)
NET CASH OUTFLOW FROM FINANCING	(3,723,406)	(12,700,029)
DECREASE IN CASH	(2,623,414)	(4,207,159)

The notes on pages 14 to 32 form part of these financial statements.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2011

RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£	£
Operating loss	(6,801,472)	(2,244,872)
Depreciation	385,052	515,110
Decrease/(increase) in stocks	8,164,905	(5,632,358)
Decrease in debtors	1,597,759	10,584,141
(Decrease)/increase in creditors	(994,906)	732,494
Increase in provisions	(8,212)	–
Net cash inflow from operating activities	<u>2,343,126</u>	<u>3,954,515</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011	2010
	£	£
Decrease in cash in the period	(2,582,588)	(4,207,159)
Net cash outflow from bank loans	4,097,918	12,244,527
Cash outflow in respect of hire purchase	(374,512)	455,502
	<u>1,140,818</u>	<u>8,492,870</u>
Change in net debt	1,140,818	8,492,870
Net debt at 1 July 2010	(17,935,915)	(26,428,785)
Net debt at 30 June 2011	<u>(16,835,923)</u>	<u>(17,935,915)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At	Cash flows	At
	1 Jul 2010	30 Jun 2011	
	£	£	£
Net cash			
Cash in hand and at bank	9,081,432	(2,623,414)	6,458,018
Debt:			
Debt due within 1 year	(26,443,428)	5,857,918	(20,585,510)
Debt due after 1 year	(250,000)	(1,760,000)	(2,010,000)
Hire purchase agreements	(323,919)	(374,512)	(698,431)
	<u>(27,017,347)</u>	<u>3,723,406</u>	<u>(23,293,941)</u>
Net debt	<u>(17,935,915)</u>	<u>1,099,992</u>	<u>(16,835,923)</u>

The notes on pages 14 to 32 form part of these financial statements.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards

Basis of consolidation

The consolidated financial statements comprise the accounts of Macob Holdings Limited and its subsidiaries made up to 30 June 2011

The results of subsidiaries acquired during the year are included from the effective date of acquisition

Turnover

Turnover represents the amounts (excluding value added tax) derived from the ordinary activities being the provision of goods and services to third party customers during the year. Property and land sales are recognised upon legal completion

Goodwill

Goodwill, which represents the excess cost of acquisitions of businesses over the value attributed to their net assets, is amortised through the profit and loss account by equal instalments over its estimated useful economic life of up to a maximum of 20 years. Goodwill previously eliminated against reserves has not been reinstated and will only be charged to the profit and loss account on the subsequent disposal of any business to which it related

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant and Machinery	10% - 50% per annum
Fixtures and Fittings	15% per annum
Motor Vehicles	25% per annum

Investment properties

In accordance with Statement of Standard Accounting Practice No 19, the company's properties are held for long-term investment and are valued annually by the Board and every five years valued externally by a professional valuer. The surplus on revaluation of such properties is transferred to the investment property revaluation reserve, and deficits are written off to the profit and loss account

The policy represents a departure from statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider this policy is necessary in order that the accounts may give a true and fair view because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

1. ACCOUNTING POLICIES *(continued)*

Stock and work in progress

Stock and work in progress is valued as the lower of cost and net realisable value. Cost is that expenditure which has been incurred in the normal course of business in bringing each project to its present location and condition. This includes finance costs where specific project funding is in place. Net realisable value is based on estimated selling price less future costs to completion and selling costs.

Long term contracts

The attributable profit on long term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long term contracts are included in work in progress to the extent that they cannot be matched with contract work accounted for as turnover. Long term contract balances included in work in progress are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

Investment income

Investment income comprises rental income and interest and is accounted for on a receivable basis.

Contributions to pension funds

The pension costs charged against profits represent the amount of the contribution payable to the scheme in respect of the accounting period.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 measured on a discounted/an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Investments

Investments are included at cost less amounts written off. For listed investments, market value is based on the closing middle market price

Investments in associated undertakings are shown at the group's share of underlying net assets at cost. The group's share of the profit/ (losses) of associated undertakings is included in the profit and loss account

Investment income

Investment income comprises rental income and interest and is accounted for on a receivable basis

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangements, either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

The group holds derivative financial instruments which have the effect of fixing the interest rate payable on certain bank borrowings. Amounts payable or receivable in respect of the interest rate derivatives are recognised as adjustments to interest over the period of the contract

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	2011 £	2010 £
United Kingdom	<u>25,872,773</u>	<u>26,110,822</u>

3. OTHER OPERATING INCOME

	2011 £	2010 £
Rent receivable	<u>58,487</u>	78,277
Other operating income	—	40,455
	<u>58,487</u>	<u>118,732</u>

4. OPERATING LOSS

Operating loss is stated after charging/(crediting)

	2011 £	2010 £
Amortisation of intangible assets	<u>13,348</u>	18,396
Depreciation of owned fixed assets	<u>154,842</u>	187,129
Depreciation of assets held under hire purchase agreements	<u>230,210</u>	327,981
Auditor's remuneration	<u>75,000</u>	96,900
Exceptional direct costs	<u>6,457,938</u>	—
Exceptional items	<u>(377,000)</u>	—
Exceptional items	<u>217,164</u>	<u>1,546,612</u>

In the previous year Macob Holdings Limited wrote off loans of £1,546,612 that were provided to Twenty20 Homes Limited prior to its acquisition by the Group on the 30 June 2010

The exceptional direct costs of £6,457,938 represent the value of work in progress at the balance sheet date that has been adjusted to reflect the current market value for certain developments. This is in line with a valuation conducted both externally and by the directors, and is as a result of the economic climate. The resulting write offs have been shown as an exceptional direct cost in the profit and loss.

During the year a related party creditor of £377,000 with Anglodefine Limited was written off as a result of it being deemed irrecoverable.

During the year a related party debtor of £217,164 with Glenabbey Homes Limited was written off as a result of it being deemed irrecoverable.

	2011 £	2010 £
Auditor's remuneration - audit of the financial statements	<u>75,000</u>	<u>96,900</u>

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 JUNE 2011**

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to

	2011	2010
	No	No
Number of administration and management staff	65	66
Number of construction staff	123	101
	<u>188</u>	<u>167</u>

The aggregate payroll costs of the above were

	2011	2010
	£	£
Wages and salaries	5,605,169	4,939,753
Social security costs	608,575	488,547
Other pension costs	43,747	25,777
	<u>6,257,491</u>	<u>5,454,077</u>

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	2011	2010
	£	£
Remuneration receivable	794,212	667,800
Value of group pension contributions to money purchase schemes	32,086	25,777
	<u>826,298</u>	<u>693,577</u>

Remuneration of highest paid director:

	2011	2010
	£	£
Total remuneration (excluding pension contributions)	<u>143,136</u>	<u>78,750</u>

7. SHARE OF ASSOCIATES' OPERATING PROFIT/(LOSS)

	2011	2010
	£	£
Associates		
Share of operating profit/(loss) before amortisation of goodwill	54,243	(97,134)
Amortisation of goodwill on acquisition, associate	(13,348)	(18,396)
	<u>40,895</u>	<u>(115,530)</u>

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 JUNE 2011****8. PROFIT/LOSS ON DISPOSAL OF FIXED ASSETS**

	2011	2010
	£	£
Profit/(loss) on disposal of fixed assets	<u>123,756</u>	<u>(200,081)</u>

Included within the loss on disposal is £nil (2010 £98,261) of losses relating to the disposal of investment properties

9. (LOSS)/PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

	2011	2010
	£	£
Disposal of discontinued operations		
Profit on disposal of associated undertaking	(8,212)	1,049,041
Termination of discontinued operations		
(Profit)/Loss on termination of operation	<u>(2,516,758)</u>	<u>(523,699)</u>
	<u>(2,524,970)</u>	<u>525,342</u>

The profit on disposal of associates in the previous year represents the sale of shares and loan notes in IMC St David's Limited on the 17 February 2010

The loss on disposal of discontinued activities in the current year represents the sale of a subsidiary, Macob Westgate Limited, on the 24 February 2012 to Valeleigh Limited

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Interest payable on bank borrowing	648,069	658,991
Finance charges	13,910	4,173
Other similar charges payable	—	7,473
	<u>661,979</u>	<u>670,637</u>

11. TAXATION ON ORDINARY ACTIVITIES**(a) Analysis of charge in the year**

	2011	2010
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2010 - 28%)	4,908	-
(Over)/under provision in prior year		95,642
Total current tax	<u>4,908</u>	<u>95,642</u>
Deferred tax.		
Origination and reversal of timing differences	<u>75,328</u>	<u>(92,257)</u>
Tax on loss on ordinary activities	<u>80,236</u>	<u>3,385</u>

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

11. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2010 - 28%)

	2011 £	2010 £
Loss on ordinary activities before taxation	(9,806,131)	(2,683,755)
Profit on ordinary activities by rate of tax	491,782	746,300
Permanent and timing differences arising	(486,874)	(650,658)
Total current tax (note 11(a))	4,908	95,642

12. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT GROUP

The loss dealt with in the financial statements of the parent group was £(1,604,218) (2010 - £(2,705,095))

13. TANGIBLE FIXED ASSETS

Group	Freehold & Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST OR VALUATION					
At 1 July 2010	5,636,348	1,923,043	584,422	1,243,670	9,387,483
Additions	—	854,918	2,242	50,239	907,399
Disposals	—	(525,531)	(2,750)	(518,629)	(1,046,910)
Revaluation	(431,650)	—	—	—	(431,650)
At 30 June 2011	5,204,698	2,252,430	583,914	775,280	8,816,322
DEPRECIATION					
At 1 July 2010	—	1,176,062	508,385	884,412	2,568,859
Charge for the year	—	266,911	16,600	101,541	385,052
On disposals	—	(332,829)	(413)	(318,021)	(651,263)
At 30 June 2011	—	1,110,144	524,572	667,932	2,302,648
NET BOOK VALUE					
At 30 June 2011	5,204,698	1,142,286	59,342	107,348	6,513,674
At 30 June 2010	5,636,348	746,981	76,037	359,258	6,818,624

The investment property held in Macob Cosmetics Limited was valued at £800,000 by Lambert Smith Hampton in February 2011 for the purposes of bank security. The directors have assessed the market value of the property at the year end as £1,000,000 on the basis of future discounted cash flows.

Hire purchase agreements

Included within the net book value of £6,513,674 is £793,765 (2010 - £742,809) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £230,210 (2010 - £327,981).

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

13. TANGIBLE FIXED ASSETS *(continued)*

Company	Freehold Property £	Motor Vehicles £	Equipment £	Total £
COST OR VALUATION				
At 1 July 2010	141,846	420,077	22,943	584,866
Additions	–	–	1,236	1,236
Disposals	–	(358,942)	–	(358,942)
At 30 June 2011	141,846	61,135	24,179	227,160
DEPRECIATION				
At 1 July 2010	–	191,519	22,942	214,461
Charge for the year	–	15,284	185	15,469
On disposals	–	(158,334)	–	(158,334)
At 30 June 2011	–	48,469	23,127	71,596
NET BOOK VALUE				
At 30 June 2011	141,846	12,666	1,052	155,564
At 30 June 2010	141,846	228,558	1	370,405

Hire purchase agreements

Included within the net book value of £155,564 is £12,666 (2010 - £228,558) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £15,284 (2010 - £70,284).

14. INVESTMENTS

Group	Associated undertakings £	Other investments £	Total £
COST OR VALUATION			
At 1 July 2010	(625,048)	68,544	(556,504)
Additions	40,826	29,238	70,064
Revaluations	–	(8,212)	(8,212)
At 30 June 2011	(584,222)	89,570	(494,652)
NET BOOK VALUE			
At 30 June 2011	(584,222)	89,570	(494,652)
At 30 June 2010	(625,048)	68,544	(556,504)

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

14. INVESTMENTS *(continued)*

Associated undertakings

All held by the company

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Westgate Park Cardiff Limited	England	Ordinary shares	40%	Property Development
James Loveluck (Baglan) Limited	England	Ordinary shares	40%	Property Development
Cobourg Development Company Limited	England	Ordinary shares	27%	Property Development
Locks Court Development Limited	England	Ordinary shares	45%	Property Development

Company

Group companies £	Other investments £
-------------------------	---------------------------

COST

At 1 July 2010

202,022 **36,750**

Additions

- **13,288**

At 30 June 2011

202,022 **50,038**

AMOUNTS WRITTEN OFF

At 1 July 2010

- -

Written off in prior years written back

- -

At 30 June 2011

- -

NET BOOK VALUE

At 30 June 2011

202,022 **50,038**

At 30 June 2010

202,022 **36,750**

15. STOCKS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Stock	149,566	200,225	-	-
Work in progress	813,193	8,244,105	1	1
Stock of land	9,013,300	9,696,634	-	-
	9,976,059	18,140,964	1	1

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

16. DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	623,321	1,061,548	13,943	17,937
Amounts owed by group undertakings	—	—	2,131,961	4,791,214
Amounts owed by undertakings in which the group has a participating interest	3,899,360	4,386,665	—	217,335
Corporation tax repayable	—	—	—	668,186
Amounts recoverable on long term contracts	5,049,187	5,589,945	—	—
Other debtors	77,740	214,178	9,200	135,522
Deferred taxation (Note 17)	38,509	113,837	7,477	44,385
Prepayments and accrued income	58,118	53,149	32,678	32,678
	<u>9,746,235</u>	<u>11,419,322</u>	<u>2,195,259</u>	<u>5,907,257</u>

The debtors above include the following amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Amounts owed by undertakings in which the group has a participating interest	3,449,808	3,398,708	—	—
Other debtors	30,000	30,000	—	—
	<u>3,479,808</u>	<u>3,428,708</u>	<u>—</u>	<u>—</u>

17. DEFERRED TAXATION

The movement in the deferred taxation asset during the year was

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Asset brought forward	113,837	21,580	44,385	104,628
(Decrease)/Increase in asset	(75,328)	92,257	(36,908)	(60,243)
Asset carried forward	<u>38,509</u>	<u>113,837</u>	<u>7,477</u>	<u>44,385</u>

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of

Group	2011		2010	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of depreciation over taxation allowances	38,509	—	113,837	—
Tax losses available	—	—	—	394,991
	<u>38,509</u>	<u>—</u>	<u>113,837</u>	<u>394,991</u>

The directors' have not provided for a deferred tax asset on available losses as they consider that the recognition criteria as set out in FRS 19 have not been met

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

17. DEFERRED TAXATION (continued)

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of

Company	2011		2010	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of depreciation over taxation allowances	<u>7,477</u>	<u>-</u>	<u>44,385</u>	<u>-</u>

18. CONTINGENCIES

In 2005 Macob Holdings Limited paid certain directors awards under the 'Options over Futures' tax planning scheme implemented by PWC LLP. This scheme has subsequently been challenged by HMRC under tax avoidance legislation and a determination has been raised for PAYE, Class 1 National Insurance contributions and interest totalling £588,000. The Directors' do not feel that it is appropriate to provide for the liability since the outcome of litigation, which is currently before the European Court, remains uncertain at the time of approval of the accounts and will not be concluded for several years.

The group's development of a site near the Menai Straits, Caernarfon has been put on hold by the directors as they believe that a greater value will be achieved in the longer term once post recessionary prices return to normal. The future strategy for the site is currently under review and the directors are exploring alternative options to maximise returns. The value of work in progress at the balance sheet date has been adjusted to £500,000 to reflect the current market value of the development. This is in line with an independent valuation conducted, and is as a result of economic climate. If the group is granted planning permission and proceeds with a mixed use development on land at Caernarfon Road, Y Felenheli, Gwynedd a £2,000,000 liability becomes payable to Ferotec Realty Limited in respect of additional land value. This agreement expires on the 18 December 2017 on the tenth anniversary of the acquisition of the land and the provision has not been included within the group's current project costs. Following the year end this company was sold as part of the corporate restructuring.

19. CREDITORS: Amounts falling due within one year

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Bank loans	20,585,510	26,443,428	1,397,756	2,492,081
Payments received on account	2,824,195	3,168,100	-	-
Trade creditors	2,946,051	3,946,656	44,540	71,164
Amounts owed to group undertakings	-	-	1,517,524	2,441,258
Amounts owed to undertakings in which the group has a participating interest	441,825	522,960	200,000	-
Hire purchase agreements	238,810	222,559	4,866	38,725
Directors' loan accounts	1,026,563	1,226,708	1,026,563	1,226,708
Other taxation and social security	766,796	518,223	278,468	259,126
Other creditors	598,863	381,885	2,224	2,212
Accruals and deferred income	98,500	118,100	2,000	2,000
	<u>29,527,113</u>	<u>36,548,619</u>	<u>4,473,941</u>	<u>6,533,274</u>

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

19. CREDITORS: Amounts falling due within one year (*continued*)

The following liabilities disclosed under creditors falling due within one year are secured by the group

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans	20,585,510	26,693,428	1,397,756	2,742,081
Other creditors including taxation and social security	120,833	-	-	-
Hire purchase agreements	238,810	222,559	4,866	38,725
	<u>20,945,153</u>	<u>26,915,987</u>	<u>1,402,622</u>	<u>2,780,806</u>

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

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts	2,010,000	250,000	-	250,000
Hire purchase agreements	459,621	101,360	-	-
	<u>2,469,621</u>	<u>351,360</u>	<u>-</u>	<u>250,000</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the group

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts	2,010,000	250,000	-	250,000
Hire purchase agreements	459,621	101,360	-	-
	<u>2,469,621</u>	<u>351,360</u>	<u>-</u>	<u>250,000</u>

21. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Amounts payable within 1 year	238,810	222,559	4,866	38,725
Amounts payable between 2 to 5 years	459,621	101,360	-	-
	<u>698,431</u>	<u>323,919</u>	<u>4,866</u>	<u>38,725</u>

22. OTHER PROVISIONS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Other provisions	<u>2,516,758</u>	-	-	-

In February 2012 the Group also disposed of its interest in shares in Macob Westgate Limited. The Group has provided for the write off of financial support provided to Macob Westgate Limited at the time of the disposal. This has been recognised as an exceptional item in the year ended 30 June 2011. The Group has retained an overage interest in the future potential development of the property sold with the Macob Westgate disposal

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

23. DERIVATIVES

The Group has two interest rate swap contracts. The first expires on 31 March 2017, the fair value of the interest rate swap on 30 June 2011 was a liability of £495,133. The second expires on 25 December 2021, the fair value of the contract as at 30 June 2011 was a liability of £809,588.

The fair value of the interest rate swap contracts has been determined by reference to prices available from the markets on which the instruments involved are traded.

At the Balance Sheet date, the total notional amount of outstanding interest rate swap contracts is £7,250,000. These were assigned to Macob Property Holdings Limited following the corporate restructuring.

24. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2011 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2011 £	2010 £
Operating leases which expire		
After more than 5 years	144,000	144,000

At 30 June 2011 the group had annual commitments under non-cancellable operating leases as set out below.

Company	Land and buildings	
	2011 £	2010 £
Operating leases which expire		
After more than 5 years	144,000	144,000

25. TRANSACTIONS WITH THE DIRECTORS

Movements on the directors' accounts during the year were as follows:

	Mr R J Roberts £	Mr D M Walters £	Mr M S Thomas £
Balance brought forward at 01 July 2010	1,206,622	19,999	(3)
Monies introduced	12,000	1,500	—
Withdrawals	(186,154)	(21,499)	(5,902)
Balance carried forward at 30 June 2011	1,032,468	—	(5,905)

Currently these loans have no fixed terms of repayment and no interest is being charged.

During the period the group purchased Mr D M Walters and Mr R J Roberts interests in Twenty20 Homes Limited for £1,500 and £12,000 respectively.

Mr R J Roberts has provided personal guarantee of £1,000,000 to Barclays Bank Plc dated 1 April 2009. He also previously provided a guarantee of £1,200,000 to Julian Hodge Bank Plc in respect of a loan provided to Macob Westgate Limited, which was released in February 2012.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

26. RELATED PARTY TRANSACTIONS

Details of transactions with other group companies have not been included as the directors consider disclosure of this information would be too onerous. In the opinion of the directors the absence of this information will have no impact upon the readers understanding of these financial statements

During the year Locks Court Development Limited wrote off £121,950 (2010 loan received £59,500), leaving a debtor balance of £10,000 (2010 £360,450) at the balance sheet date. During the year the group recharged expenses of £573 (2010 £240) to Locks Court Development Company Limited

During the year the Group recharged expenses to Cobourg Development Company Limited at a cost of £9,000 (2010 £2,010). As at the year end £58,750 (2010 £58,750) remains outstanding in respect of the Management Fees and £9,420 (2010 £420) in respect of recharged expenses

During the year the Group recharged expenses to Windsor Court Development Cardiff LLP at a cost of £nil (2010: £588). As at the year end £nil (2010: £nil) remains outstanding in respect of the recharged expenses

In the previous year the Group sold plant and machinery to Percson Properties Limited, a company under the control of Mr R J Roberts, for £442,750. Percson Properties Limited charged the Group £38,500 (2010: £37,698) for the use of these assets during the period. Also, during the year Person Properties Limited made a loan to the Group amounting to £200,000. As at the balance sheet date the loan is included within creditors 'amounts due to participating interests', currently there are no fixed terms of repayment and no interest is being charged

During the year the Group entered in to a hire purchase agreement with one of its directors' Mr J A Boucher T/A J B Trading. The agreement was for the hire of the plant and equipment with a value of £150,000 payable over a three year period in equal instalments. Ownership of the assets will transfer to the Group on the final payment. No interest is being charged on the instalments but the agreement includes a management fee of 5% per annum payable in advance. As at the balance sheet date £120,833 was outstanding in respect of this agreement and a management fee of £7,500 had been paid during the year.

During the year the Group wrote-off disputed loans amounting to £217,164 with Glenabbey Homes Limited. The balance outstanding at the year end is £nil (2010: £217,164)

Included within creditors 'amounts due to participating interests' is an amount of £214,360 (2010: £522,960) owed to Anglodefine Limited for loans made to Group companies. During the year the Anglodefine provided new loans of £68,400 to Kinloch Court Investments Limited and wrote-off £377,000 of the loans provided to Macob (Tenby) Limited on the basis that they were irrecoverable

Also, during the year the group received loans of £27,465 from Bluefield Land Limited. As at the balance sheet date £27,465 is still outstanding and is included within creditors 'amounts due to participating interests'

27. SHARE CAPITAL

Allotted, called up and fully paid:

	2011		2010	
	No	£	No	£
10,000 Ordinary shares of £0.01 each	<u>10,000</u>	<u>100</u>	<u>10,000</u>	<u>100</u>

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 JUNE 2011****28. SHARE PREMIUM ACCOUNT**

There was no movement on the share premium account during the financial year

29. REVALUATION RESERVE

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Balance brought forward	500,000	500,000	—	—
Revaluation of fixed assets	(431,650)	—	—	—
Balance carried forward	<u>68,350</u>	<u>500,000</u>	<u>—</u>	<u>—</u>

30. OTHER RESERVES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Capital redemption reserve	5	5	5	5
Other reserves	52	52	—	—
	<u>57</u>	<u>57</u>	<u>5</u>	<u>5</u>

31. GROUP PROFIT AND LOSS ACCOUNT

	2011	2010
	£	£
Balance brought forward	7,199,376	9,503,656
Loss for the financial year	(9,767,207)	(2,304,280)
Balance carried forward	<u>(2,567,831)</u>	<u>7,199,376</u>

32. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011	2010
	£	£
Loss for the financial year	(9,767,207)	(2,304,280)
Other net recognised gains and losses	(431,650)	—
Net reduction to shareholders' funds	(10,198,857)	(2,304,280)
Opening shareholders' funds	7,884,699	10,188,979
Closing shareholders' (deficit)/funds	<u>(2,314,158)</u>	<u>7,884,699</u>

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

33. GOING CONCERN

The Group incurred a net loss of £9,767,207 during the year ended 30 June 2011 and, at that date, the Group's liabilities exceeded its total assets by £2,314,158. In addition as detailed in note 18 there are a number of contingent liabilities, which if they were to crystallise, would put the Group in a greater insolvent position.

As described in the directors' report on page 2 the current economic environment is difficult and the Group has reported substantial losses for the year. The construction services companies within the Group (principally ground work and scaffolding), which represent the majority of the Group turnover, have been and continue to be profitable, even in today's adverse economic and market conditions. The substantial losses were attributable to the property development businesses and losses on disposal or from writing down individual development projects to current market value.

The Group entered into discussions with its principal bankers, Barclays Bank Plc, to obtain an additional facility that would secure its future. Despite lengthy negotiations the directors were unable to secure a commitment from the bank for sufficient funding due to the uncertainty of future events that would impact on the financial viability of the Group.

Following corporate restructuring advice in February 2012 the directors made the decision to sell the principal trading and development companies to a new holding company, Macob Property Holdings Limited (Formerly Macob Estates Limited), at an independent market valuation of £925,000. The reorganisation left Macob Holdings Limited with ownership of Macob Exchange Limited together with several dormant and non-trading subsidiaries.

Macob Exchange Limited receives insufficient rental income from its tenanted property to fully fund both its loan interest payments due to Julian Hodge Bank and its operating costs. Following the year end Julian Hodge Bank made a formal demand for repayment of the loan as the company was in breach of its loan agreement. Due to the financial position of the company it is unable to meet its obligations in respect of this demand. However there are on-going discussions with JHB which the directors' hope will be concluded shortly.

The Macob Property Holdings Group continues to cross guarantee the group overdraft facility made available to Macob Holdings Limited and its remaining subsidiaries via a master guarantee dated 6th February 2002, which is secured by a fixed and floating charge over its assets. The Macob Holdings Group has not secured any alternative sources of funding and is therefore reliant on this facility and intercompany loans with its former subsidiaries. However, as part of the restructure Macob Holdings entered into an overage agreement with its former subsidiaries Bluefield Caernarfon Limited and Macob Projects Limited, that should certain development projects prove to be profitable, it will be entitled to a percentage of future profits.

Macob Holdings Limited is also in arrears with Government creditors and the directors hope to negotiate a payment arrangement that would allow the Group to continue trading in order to realise the longer term profits generated by the overage agreements. As at the date of signing no formal payment arrangement has been agreed.

The directors have concluded that above circumstances represent a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, it may be unable to discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have concluded that the overage arrangements will provide future funding in order to settle the Group's liabilities. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

34. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr R J Roberts who has a beneficial interest in 84% of the issued share capital of Macob Holdings Limited.

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

35. BANK SECURITY

Barclays Bank Plc holds an unlimited cross company guarantee for the bank funding of all group companies

Barclays Bank Plc hold a cross company guarantee for £180,000 on James Loveluck (Baglan) Limited, and an unlimited guarantee for the funding of Twenty20 Homes Limited

A sub mortgage over land at Birchgrove Swansea, in favour of Barclays Bank Plc

Barclays Bank Plc has a first legal charge over the land at Bocam Park, Junction 35 in addition to legal charges granted by Bocam Park 2 Limited over units 14, 17 and 31 Oldfield Road, Bridgend

Barclays Bank Plc has a legal charge dated 12 December 2006 over investment property encompassing land to the north of Llanharan Road, Pontyclun

Julian Hodge Bank Limited holds a first legal charge dated 29 June 2005 over the Cardiff Exchange Building, Mount Stuart Square, Cardiff

Macob Holdings Limited provided a debt service guarantee and limited guarantee of £2,000,000 in respect of bank borrowings of Bluefield Caernarfon Limited

A first legal charge dated 3 June 2008 over land & buildings at Cefngornnooth, Llangadog, Llandoverly, in favour of Barclays Bank Plc

Clydesdale Bank Plc have a fixed and floating charge over the assets of Macob Properties Limited, a legal mortgage over the properties 39,40 and 43 The Causeway, Staines dated 19 September 2008 and legal mortgage over 45 The Causeway, Staines dated 8 August 2008

There is a first legal charge over freehold land and buildings at Caernarfon Road, Y Felenheli, Gwynedd dated 18 December 2007, in favour of Barclays Bank Plc

There is a first legal charge over freehold land and buildings at Plas Newydd, Cwm Ivor Road, Burry Port, Carmarthenshire dated 30 October 2007, in favour of Barclays Bank Plc

There is a first legal charge over freehold land and buildings at The Bay View Social Club, Princess Margaret Way, Aberafon, Port Talbot, West Glamorgan dated 30 July 2007, in favour of Barclays Bank Plc

There is a first legal charge over land and buildings known as the Guildhall and Glendower House, Tenby, Pembrokeshire, in favour of Barclays Bank Plc

There is a first legal mortgage over the freehold property known as Kinloch Court Hotel, Queens Parade, Tenby in favour of the Principality Building Society In addition Macob Holdings Limited provided a guarantee of £637,000 in respect of the borrowings of Kinloch Court Investments Limited

There is a first legal charge over 32 Winsor Road, Radyr, dated 6 October 2006, in favour of Barclays Bank Plc

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

36. SHARES IN GROUP UNDERTAKINGS

The details of the principal subsidiaries, which are consolidated in the group financial statements, are given below

	Effective group share	Nature of business
Macob Limited, England and Wales		Groundworks and related activities
Macob Southern Limited, England and Wales	95%	Groundworks and related activities
Macob Northern (Scaffolding) Limited, England and Wales	100%	Hire of scaffolding
Macob Western (Scaffolding) Limited, England and Wales	100%	Hire of scaffolding
Macob Projects Limited, England and Wales	100%	Property development
Macob Developments Limited, England and Wales	80%	Hire of vehicles and land
Macob Civil Engineering Limited, England and Wales	100%	development Building and civil engineering
Macob Scaffolding Limited, England and Wales	95%	contractors Hire of scaffolding
Macob Training and Safety Services Limited, England and Wales	80%	
Macob Westgate Limited, England and Wales	100%	Training services Property
Bocam Park Limited, England and Wales	80%	development Property
Bocam Park 2 Limited, England and Wales	80%	development Property
Greenmeadow Springs Limited, England and Wales	80%	development Property
Greenmeadow Springs 2 Limited, England and Wales	80%	development Property
Macob Exchange Limited, England and Wales	80%	development Property
Macob Properties Limited, England and Wales	80%	development Property
Twenty20 Homes Limited, England and Wales	100%	development Property
Bluefield Caernarfon Limited, England and Wales	90%	development Property
	59%	development

MACOB HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

37. PARTICIPATING INTERESTS

Details of the consolidated investments in companies in which Macob Holdings Limited and its subsidiaries have a participating interest are given below

	Effective group share	Nature of business
Macob Holdings Limited Associates:		
Glan-yr-afon Management Company No5 Limited, England and Wales	50%	Dormant
Macob Projects Limited Associates:		
James Loveluck (Baglan) Limited	40%	Property development
Macob Westgate Limited Associates:		
Westgate Park Cardiff Limited, England and Wales	40%	Sale and development of residential and commercial land
Twenty20 Homes Limited Associates:		
Cobourg Development Company Limited, England and Wales	27%	Property development
Locks Court Development Company Limited, England and Wales	45%	Property development

The accounting reference dates for the following associated undertakings are non-conterminous with the group Details are as follows

Westgate Park (Cardiff) Limited	31 July 2011
Cobourg Development Company Limited	31 March 2011
Locks Court Development Company Limited	31 March 2011