Bournston Developments Limited

Director's report and consolidated financial statements

Registered number 02775041

31 December 2007

Contents

Company information

Director	PM Kilmister
Company Secretary	BS Smith-Hilliard
Registered office	Huntingdon House 278-290 Huntingdon Street Nottingham NG1 3LY
Company number	02775041
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Director's report

The director presents his report with the financial statements of the group for the year ended 31 December 2007.

Principal activities

The principal activities of the company in the year under review were those of property development and investment. The company is also a holding company for the group.

The group's principal activities are those of property development and investment. All activities of both the parent company and the group are continuing.

Review of business

The results for the year and the financial position of the group are as shown in the annexed financial statements.

The director acknowledges that the financial statements for the year ended 31 December 2007 reflect the downturn in economic conditions and in particular, in property valuations, prevalent during 2007 and 2008.

During the year, interest rates increased whilst property values were declining. This situation continued until late 2008, at which time interest rates dropped significantly, base rate reducing from 5.0% in October 2008 to 1.5% at the time of signing these accounts.

The director has prepared detailed long term cash flow projections and is pleased to report that these show a positive income generation over the next year which should be sufficient to cover ongoing liabilities on the basis that the funding facilities due to be reviewed during the course of the ensuing twelve months will be suitably revised and renewed. The director has explored these arrangements and is in the process of finalising agreements in principle with funding banks which the director believes will be converted to formal facilities within due course.

The balance sheet remained healthy at the year end with net assets of over £2.6 million.

The group is aware of its environmental responsibility and acts accordingly.

Changes in the property market and increasing interest rates are the primary risks to group profitability in the long term.

The group strives to maintain its reputation by providing a high quality product.

Key performance indicators for the group are turnover and gross profit margin.

The high quality of ongoing and further developments will ensure the future success of the group.

The group is committed to the principal of equal opportunity in employment and it is the group's objective to ensure that individuals are selected, promoted and otherwise treated solely on the basis of their relevant aptitudes, skills and abilities.

Future developments

The group is looking to improve profitability levels through its principal activities

Dividends

Interim dividends were paid during the year in respect of the 'A' ordinary shares of £565,000 *(2006: £450,000)*. Interim dividends were paid during the year in respect of the 'B' ordinary shares of £565,000 *(2006: £450,000)*.

No final dividend will be paid.

Director's report *(continued)*

Director

The director who held office during the year under review was:

PM Kilmister

Mr PM Kilmister benefited from a qualifying third party indemnity provision in place during the financial year and at the date of this report.

Disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Political and charitable contributions

The company made no political contributions during the year *(2006: £nil)*. The company made donations to UK charities during the year of £595 *(2006: £250)*.

Auditors

The auditors, KPMG LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the board

PM Kilmister
Director

Dated: 30 January 2009

Statement of director's responsibilities in respect of the director's report and the financial statements

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable 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 and the parent company will continue in business.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable him to ensure that its financial statements comply with the Companies Act 1985. He has a general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Independent auditors report to the members of Bournston Developments Limited

We have audited the group and parent company financial statements (the 'financial statements') of Bournston Developments Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

The director's responsibilities for preparing the director's report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of director's responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the director's 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 director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatement 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

KPMG

Independent auditors report to the members of Bournston Developments Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's 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 director's report is consistent with the financial statements.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, the director has considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's and Group's ability to continue as a going concern.

At 31 December 2007 the Group had borrowings of £8 million to support working capital and medium term funding requirements which are due for repayment within twelve months of signing these financial statements. The ability of the Company and Group to continue as a going concern is dependent on being able to successfully refinance its borrowings as they fall due for renewal at various times during the next twelve months. This will depend upon what levels of borrowing the business will require and support at the time of refinancing which will in turn depend on factors including but not limited to the conditions in the credit market at that point. The potential source and cost of such facilities is a matter which the director is currently addressing.

These matters, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

KPMG LLP

Chartered Accountants
Registered Auditor

Dated: 30 January 2009

Consolidated profit and loss account
for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	2	**6,304,005**	11,570,648
Cost of sales		**(6,285,661)**	(7,858,768)
Gross profit		**18,344**	3,711,880
Administrative expenses		**(1,088,587)**	(988,686)
Other operating income		**865,000**	460,000
Operating (loss)/profit		**(205,243)**	3,183,194
Interest receivable	5	**321,700**	216,841
Interest payable	6	**(1,087,980)**	(1,080,401)
(Loss)/profit on ordinary activities before taxation	7	**(971,523)**	2,319,634
Taxation on (loss)/profit on ordinary activities	8	**302,577**	(684,386)
(Loss)/profit for the financial year	21	**(668,946)**	1,635,248

Consolidated total recognised gains and losses
for the year ended 31 December 2007

	2007 £	2006 £
(Loss) / profit for the financial year	**(668,946)**	1,635,248
Surplus on revaluation of investments	**1,149,958**	-
Tax charge on transfer of stock to investments	**(272,987)**	-
Total recognised gains and losses relating to the year	**208,025**	1,635,248

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations.

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

Consolidated balance sheet
as at 31 December 2007

	Note		2007		2006
		£	£	£	£
Fixed assets					
Tangible assets	*10*		**183,384**		250,193
Investments	*11*		**5,640,000**		2,500,000
			5,823,384		2,750,193
Current assets					
Stocks	*12*	**11,025,645**		14,402,446	
Debtors (including £nil *(2006: £2,238,061)* due after more than one year)	*13*	**3,188,826**		7,611,181	
Investments	*14*	**888,371**		-	
Cash at bank		**4,443,043**		326,998	
		19,545,885		22,340,625	
Creditors: amounts falling due within one year	*15*	**(7,194,220)**		(8,079,091)	
Net current assets			**12,351,665**		14,261,534
Total assets less current liabilities			**18,175,049**		17,011,727
Creditors: amounts falling due after more than one year	*16*		**(15,526,695)**		(13,019,221)
Provisions for liabilities and charges	*19*		**-**		(422,177)
Net assets			**2,648,354**		3,570,329
Capital and reserves					
Called up share capital	*20*		**2**		2
Revaluation reserve	*21*		**2,371,867**		1,494,896
Profit and loss account	*21*		**276,485**		2,075,431
Shareholder's funds	*22*		**2,648,354**		3,570,329

These financial statements were approved by the director on 30 January 2009

PM Kilmister
Director

Company balance sheet
as at 31 December 2007

	Note		2007		2006
		£	£	£	£
Fixed assets					
Tangible assets	*10*		**183,384**		250,193
Investments	*11*		**2,792,702**		2,552,702
			2,976,086		2,802,895
Current assets					
Stocks	*12*	**-**		110,773	
Debtors (including £nil *(2006: £2,238,061)* due after more than one year)	*13*	**2,896,169**		4,210,630	
Investments	*14*	**888,371**		-	
Cash at bank		**4,429,648**		321,009	
		8,214,188		4,642,412	
Creditors: amounts falling due within one year	*15*	**(1,447,383)**		(2,198,239)	
Net current assets			**6,766,805**		2,444,173
Total assets less current liabilities			**9,742,891**		5,247,068
Creditors: amounts falling due after more than one year	*16*		**(7,669,141)**		(2,002,721)
Provisions for liabilities and charges	*19*		**(7,800)**		(202,800)
Net assets			**2,065,950**		3,041,547
Capital and reserves					
Called up share capital	*20*		**2**		2
Revaluation reserve	*21*		**1,734,896**		1,494,896
Profit and loss account	*21*		**331,052**		1,546,649
Shareholder's funds	*22*		**2,065,950**		3,041,547

These financial statements were approved by the director on 30 January 2009

PM Kilmister
Director

Consolidated cash flow statement
for the year ended 31 December 2007

	Note	**2007** **£**	2006 £
Net cash flow from operating activities	*23*	**2,306,466**	3,997,863
Returns on investments and servicing of finance	*24*	**(766,280)**	(863,560)
Taxation		**(994,116)**	(19,439)
Capital expenditure	*24*	**124,502**	(51,533)
Equity dividends paid		**(1,130,000)**	(900,000)
		(459,428)	2,163,331
Financing	*24*	**4,575,473**	(2,242,560)
Increase/(decrease) in cash		**4,116,045**	(79,229)

Reconciliation of net cash flow to movement in net debt
for the year ended 31 December 2007

		2007 **£**	2006 £
Increase/(decrease) in cash in the period		**4,116,045**	(79,229)
Cash flow from increase in loan debt		**(4,575,473)**	2,242,560
New finance leases		**(112,603)**	(77,100)
Change in net debt		**(572,031)**	2,086,231
Net debt at 1 January		**(16,607,245)**	(18,693,476)
Net debt at 31 December	*25*	**(17,179,276)**	(16,607,245)

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Accounting convention

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

Basis of consolidation

The consolidated financial statements include the results of Bournston Developments Limited and its subsidiary undertakings drawn up to 31 December 2007.

In accordance with Section 230(4) of the Companies Act 1985 Bournston Developments Limited is exempt from the requirement to present its own profit and loss account.

Going concern

The financial statements have been prepared on a going concern basis, which the director believes to be appropriate for the reasons set out below.

The Company and Group meet their day to day working capital requirements and medium term funding requirements through banking facilities and loans which are secured on development properties. The nature of the Group's business is such that there can be variations in the timing of cash flows and the current economic environment has increased the uncertainty in these variations. However, the director has prepared detailed cash flow information for the period ending twelve months from the date of approval of the financial statements. These projections take into account this uncertainty to the extent which he considers reasonable, based on the information that is available to him at the time of approval of these financial statements. On the basis of this cash flow information the director considers that the Company and the Group will be able to continue to operate within the facilities currently in place (and meet covenants) during the period of the facilities.

The expiry dates of the loans within the Group vary between on demand to several years. Approximately £8 million of the Group's loans are repayable within twelve months of signing these financial statements. The director is currently negotiating to renew or replace some of these facilities with facilities that are appropriate to the Group's ongoing requirements. The potential source and cost of such facilities is a matter which the director is currently addressing and the director is in discussions with a range of potential lenders. The availability of suitable facilities will be dependent on a number of factors including the financial performance, financial position, the economic environment and the level of borrowings the business will require and support in the context of the conditions of the current credit market, at the time of refinancing. It is the opinion of the director that appropriate facilities will be available when they are required but there can be no certainty in relation to such matters.

At 31 December 2007 the Group also had loans due to Bournston Estates Limited and Mr P M Kilmister, both related parties (note 27) in the sums of £5,725,168 and £979,149 respectively. Since 31 December 2007 substantial repayments have been made, and also, both related parties have confirmed that they will not seek repayment of the loans within twelve months of signing these financial statements unless the cash position of the Group supports this.

In summary, the director considers that the use of the going concern basis of preparation is appropriate, but recognises that there is a material uncertainty that may cast significant doubt on the Company's and Group's ability to continue as a going concern and therefore the Company and Group may not be able to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that reflect this possible outcome.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover comprises the value of goods and services provided during the year and rents receivable, excluding value added tax.

Turnover is recognised when contracts are exchanged and the building work is substantially complete unless the contract is conditional and the condition has not been satisfied at the date the financial statements are approved. In such circumstances turnover is recognised on completion of contracts.

Goodwill

Purchased goodwill arising on the acquisition of subsidiary undertakings prior to 1 January 2000 is set off directly against reserves. As permitted by FRS 10, this goodwill has not been reinstated in the balance sheet and remains written off to reserves.

Tangible fixed assets and depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Fixtures and fittings	15% on reducing balance
Motor vehicles	25% on reducing balance
Computer equipment	33% on reducing balance
Horses	Nil

Stocks and work in progress

Stocks and work in progress, which includes the cost of property together with all other directly attributable costs, are stated at the lower of cost and net realisable value. Costs of property purchased for development and resale includes the following:

Cost of acquisition
Legal fees on acquisition
Planning fees and related costs
Costs of development
Professional fees relating to acquisition and development
Interest incurred during development and ending on the date of practical completion

Net realisable value is based on actual or estimated sales proceeds less further costs expected to be incurred to completion.

Deferred taxation

The charge for taxation is based on the result of the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

Deferred tax assets are recognised only to the extent that the director considers 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.

Notes *(continued)*

1 Accounting policies *(continued)*

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group. Contributions payable for the year are charged in the profit and loss account.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less provision for any permanent diminution in value.

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a 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 director considers that, as the company's investment property is not held for consumption, but for its investment potential, to depreciate it 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 financial year would have decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Government grants

Government grants received are included within the stock balance they relate to and are released to the profit and loss account as the stock is sold.

Classification of financial instruments issued by the group

Under FRS 25, financial instruments issued by the group are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes *(continued)*

2 Turnover

The turnover and profit before taxation are attributable to the stated principal activities of the company and arises wholly from the United Kingdom.

3 Remuneration of director

	2007	2006
	£	£
Director's emoluments and other benefits	**225,249**	175,297

The aggregate amount of emoluments and other benefits of the highest paid director was £225,249 *(2006: £175,297)*.

One director has benefits accruing under a defined contribution scheme (*2006: one)*.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2007	2006
Sales	**1**	1
Office and administration	**9**	10
Directors	**1**	1
	11	12

The aggregate payroll costs of these persons were as follows:

	2007	2006
	£	£
Wages and salaries	**630,957**	443,838
Social security costs	**77,125**	51,724
Other pension costs	**6,632**	5,702
	714,714	501,264

Notes *(continued)*

5 Interest receivable and similar income

	2007	2006
	£	£
Bank interest	**230,366**	15,849
Other interest	**91,334**	200,992
	321,700	216,841

6 Interest payable and similar charges

	2007	2006
	£	£
Bank loan interest	**843,940**	1,063,732
Other interest	**239,456**	12,253
Finance charges payable in respect of hire purchase contracts	**4,584**	4,416
	1,087,980	1,080,401

7 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

		2007	2006
		£	£
Impairment of stock		**1,287,230**	-
Depreciation	- owned assets	**21,218**	20,921
	- leased assets	**30,816**	13,132
Loss on disposal of fixed assets		**2,876**	2,393
Part repayment of government grant		**-**	195,000
Auditors' remuneration:			
for group and company	- audit of these financial statements	**21,000**	20,300

Notes *(continued)*

8 Taxation

Analysis of (credit) / charge in the year

	2007 £	2006 £
UK corporation tax:		
Current tax on income for the year	-	684,386
Adjustments in respect of prior periods	(20,495)	-
Tax on unrealised profits recognised in the statement of total recognised gains and losses	(272,987)	-
Total current tax (credit) / charge	(293,482)	684,386
Deferred tax:		
Origination of timing differences	(9,095)	-
Tax (credit) / charge on (loss) / profit on ordinary activities	(302,577)	684,386

Factors affecting the tax (credit)/charge for the current year

The current tax credit *(2006: tax charge)* for the year is higher (*2006: lower charge)* than the standard rate of corporation tax in the UK of 30% *(2006: 30%).* The differences are explained below:

	2007 £	2006 £
Current tax reconciliation:		
(Loss) / profit on ordinary activities before tax	(971,523)	2,319,634
Current tax at 30% (*2006: 30%)*	(291,457)	695,890
Effect of:		
Expenses not deductible for tax purposes	4,735	2,854
Land remediation claim	(2,703)	-
Capital allowances for the period in excess of depreciation	7,343	(2,348)
Marginal rate on UK tax earnings	-	(12,010)
Adjustments in respect of prior periods	(20,495)	-
Trading losses carried forward	9,095	-
Total current tax (credit)/charge	(293,482)	684,386

Factors that may affect the future tax charges

Future trading profits are forecast to increase the charge to taxation in future years. Taxation losses carried forward in the group at 31 December 2007 available for offset against future years' taxable profits amount to £9,095 *(2006: £nil).*

9 Dividends

	2007 £	2006 £
Dividends paid in respect of the year:		
Paid 'A' ordinary shares	565,000	450,000
Paid 'B' ordinary shares	565,000	450,000
	1,130,000	900,000

Notes *(continued)*

10 Tangible fixed assets

Group and company	Horses £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation:					
At 1 January 2007	65,270	104,400	121,974	81,890	373,534
Additions	-	6,757	71,540	8,069	86,366
Disposals	(65,270)	-	(41,867)	-	(107,137)
At 31 December 2007	-	111,157	151,647	89,959	352,763
Accumulated depreciation:					
At 1 January 2007	-	63,257	2,541	57,543	123,341
Charge for year	-	7,188	34,148	10,698	52,034
Disposals	-	-	(5,996)	-	(5,996)
At 31 December 2007	-	70,445	30,693	68,241	169,379
Net book value:					
At 31 December 2007	-	**40,712**	**120,954**	**21,718**	**183,384**
At 31 December 2006	65,270	41,143	119,433	24,347	250,193

Included in the total net book value of motor vehicles is £101,441 *(2006: £40,995)* in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £30,816 *(2006: £13,132)*.

11 Fixed asset investment

	Group £	Company £
Cost or valuation:		
At 1 January 2007	2,500,000	2,552,702
Revaluation	1,149,958	240,000
Transfer from stock	1,990,042	-
At 31 December 2007	5,640,000	2,792,702
Net book value:		
At 31 December 2007	**5,640,000**	**2,792,702**
At 31 December 2006	2,500,000	2,552,702

Notes *(continued)*

11 Fixed asset investment *(continued)*

Cost or valuation at 31 December 2007 is represented by:

	Group £	Company £
Valuation in 1998	126,472	233,781
Valuation in 1999	107,026	107,026
Valuation in 2000	75,591	(31,718)
Valuation in 2001	190,776	190,776
Valuation in 2002	12,531	12,531
Valuation in 2003	182,500	76,507
Valuation in 2004	550,000	550,000
Valuation in 2005	250,000	250,000
Valuation in 2007	1,149,958	240,000
Cost	2,995,146	1,163,799
At 31 December 2007	5,640,000	2,792,702

If investments had not been revalued they would have been included at the following historical cost:

	Group		Company	
	2007 £	2006 £	**2007** £	2006 £
Cost	**2,995,146**	1,005,104	**1,163,799**	1,163,799

Investments in Bournston Developments Limited with a value of £2,740,000 were valued on an open market basis on 31 December 2007 by Banks Long & Co, Chartered Surveyors. The valuation was carried out in accordance with the RICS Appraisal and Valuation manual and the director considers Banks Long & Co to be independent.

Investments in Bournston Property Limited with a value of £2,900,000 were valued on an open market basis on 31 December 2007 by Mr PM Kilmister ARICS, who is a director of Bournston Property Limited.

All group investments comprise investment properties, although not necessarily expected to be held for the long term.

	Group		Company	
	2007 £	2006 £	**2007** £	2006 £
Unlisted investments	**5,640,000**	2,500,000	**2,792,702**	2,552,702

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Waterlakes Estates Limited

Nature of business: Property investment

Class of shares:	% holding
Ordinary	100.00

	2007 £	2006 £
Aggregate capital and reserves	**84,684**	75,977
Profit for the year after tax before dividends	**8,707**	7,433

Notes *(continued)*

11 Fixed asset investment *(continued)*

Kentford Estates Limited

Nature of business: Property development

Class of shares:	% holding
Ordinary	100.00

	2007 £	2006 £
Aggregate capital and reserves	**(1,249,776)**	(308,039)
Loss for the year after tax before dividends	**(941,737)**	(81,000)

Bournston Commercial Developments Limited

Nature of business: Property development

Class of shares:	% holding
Ordinary	100.00

	2007 £	2006 £
Aggregate capital and reserves	**196,788**	264,035
Loss for the year after tax before dividends	**(67,247)**	(59,286)

Bournston (Bramall Lane Development) Limited

Nature of business: Property development

Class of shares:	% holding
Ordinary	100.00

	2007 £	2006 £
Aggregate capital and reserves	**2**	2
Profit for the year after tax before dividends	**-**	-

Bournston (Charlotte Road Development) Limited

Nature of business: Property development

Class of shares:	% holding
Ordinary	100.00

	2007 £	2006 £
Aggregate capital and reserves	**57,950**	33,450
Profit for the year after tax before dividends	**24,500**	3

Notes *(continued)*

11 Fixed asset investment *(continued)*

Bournston Property Limited

Nature of business: Property development

Class of shares:	% holding
Ordinary	100.00

	2007	2006
	£	£
Aggregate capital and reserves	**1,545,458**	516,059
Profit for the year after tax before dividends	**392,428**	1,740,125

12 Stocks

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Stocks and work in progress	**11,025,645**	14,402,446	**-**	110,773

Loan interest included in the cost of group stocks and work in progress at 31 December 2007 was £634,841 *(2006: £589,697)*.

The director does not consider the replacement cost of stocks to be materially different to their carrying value.

13 Debtors: amounts falling due within one year

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Trade debtors	**422,123**	164,667	**248,032**	150,746
Amounts due from related parties (see note 27) (including £nil *(2006: £2,238,061)* due after more than one year)	**2,604,468**	6,008,604	**2,604,468**	3,880,561
Corporation tax	**41,545**	-	**-**	-
Other debtors and accrued income	**72,992**	1,331,682	**-**	137,686
Prepayments	**46,403**	106,228	**43,669**	41,637
Net deferred tax (see note 18)	**1,295**	-	**-**	-
	3,188,826	7,611,181	**2,896,169**	4,210,630

Notes *(continued)*

14 Investments (held as current assets)

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Unlisted investments	**888,371**	-	**888,371**	-

15 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Bank loans and overdrafts	**5,320,850**	4,102,373	**48,056**	16,200
Other loans	**65,000**	155,715	**-**	-
Loan - Director's Retirement Benefit Scheme	**40,500**	40,500	**40,500**	40,500
Hire purchase	**37,534**	9,700	**37,534**	9,700
Trade creditors	**136,714**	1,281,784	**67,745**	303,911
Amount due to group undertakings	**-**	-	**388,845**	1,622,043
Other creditors	**20,432**	44,766	**10,932**	17,266
Director's loan accounts	**631,740**	6,734	**631,740**	6,734
Corporation tax	**-**	973,066	**-**	19,000
Other taxes and social security	**96,171**	104,586	**96,171**	104,586
Accruals and deferred income	**845,279**	1,359,867	**125,860**	58,299
	7,194,220	8,079,091	**1,447,383**	2,198,239

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Bank loans	**9,653,532**	12,459,821	**1,795,978**	1,843,321
Loan - Director's Retirement Benefit Scheme	**99,500**	140,000	**99,500**	140,000
Hire purchase	**48,495**	19,400	**48,495**	19,400
Trade creditors	**-**	400,000	**-**	-
Amounts due to related parties (see note 27)	**5,725,168**	-	**5,725,168**	-
	15,526,695	13,019,221	**7,669,141**	2,002,721

Notes *(continued)*

16 Creditors: amounts falling due after more than one year *(continued)*

Analysis of debt

Debt can be analysed as falling due:

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
In one year or less or on demand	**6,095,624**	4,315,022	**757,830**	73,134
Between one and two years	**4,270,569**	328,256	**186,996**	98,256
Between two and five years	**9,863,110**	1,163,770	**6,089,129**	413,770
In five years or more	**1,393,016**	11,127,195	**1,393,016**	1,490,695
	21,622,319	16,934,243	**8,426,971**	2,075,855

Amounts falling due in more than five years:

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Repayable by instalments:				
Bank loans	**1,393,016**	11,127,195	**1,393,016**	1,490,695

The maturity of obligations under hire purchase contracts is as follows:

	Group and Company	
	2007	2006
	£	£
Within one year	**37,534**	9,700
In the second to fifth year	**48,495**	19,400
	86,029	29,100

17 Secured debts

The following secured debts are included within creditors:

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Bank loans	**14,974,382**	16,562,194	**1,844,034**	1,859,521
Hire purchase	**86,029**	29,100	**86,029**	29,100
	15,060,411	16,591,294	**1,930,063**	1,888,621

The bank loans are secured by a fixed charge over individual property assets belonging to the group. The bank loans bear interest at rates which fluctuate in line with the inter bank rate. At 31 December 2007, these varied between 7% and 9% per annum.

Notes *(continued)*

18 Deferred taxation

Group and company

	Provided		Unprovided (discounted)	
	2007	2006	**2007**	2006
	£	£	**£**	£
Accelerated capital allowances	**7,800**	7,800	-	-
On revaluation of investment property	-	-	**415,479**	390,675
On unutilised losses	**(9,095)**	-	**(1,228)**	(1,316)
	(1,295)	7,800	**414,251**	389,359

In the group no deferred tax has been provided on the revaluation of the investment properties on the basis that there were no binding agreements to sell any investment properties at 31 December 2007.

In the group a deferred tax asset has not been recognised in respect of the unutilised losses on the grounds the director does not consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

19 Provisions for liabilities and charges

	Group		Company	
	2007	2006	**2007**	2006
	£	£	**£**	£
Government grant claw back	-	414,377	-	195,000
Deferred taxation (see note 18)	-	7,800	**7,800**	7,800
	-	422,177	**7,800**	202,800

20 Share capital

	2007	2006
	£	£
Authorised		
50 'A' ordinary shares of £1 each	**50**	50
50 'B' ordinary shares of £1 each	**50**	50
	100	100
Allotted, issued and fully paid:		
1 'A' ordinary share of £1	**1**	1
1 'B' ordinary share of £1	**1**	1
	2	2

The 'A' shares and 'B' shares are separate classes of shares but rank pari passu.

Notes *(continued)*

21 Reserves

Group

	Revaluation reserve £	Profit and loss account £	Total £
Balance at 1 January 2007	1,494,896	2,075,431	3,570,327
Surplus on revaluation of investments	1,149,958	-	1,149,958
Tax charge on the transfer of stock to investments	(272,987)	-	(272,987)
Loss for the year	-	(668,946)	(668,946)
Dividends	-	(1,130,000)	(1,130,000)
Balance at 31 December 2007	**2,371,867**	**276,485**	**2,648,352**

Company

	Revaluation reserve £	Profit and loss account £	Total £
Balance at 1 January 2007	1,494,896	1,546,649	3,041,545
Surplus on revaluation of investments	240,000	-	240,000
Loss for the year	-	(85,597)	(85,597)
Dividends	-	(1,130,000)	(1,130,000)
Balance at 31 December 2007	**1,734,896**	**331,052**	**2,065,948**

22 Reconciliation of movement in equity shareholder's funds

	Group		Company	
	2007 £	2006 £	**2007** £	2006 £
(Loss)/profit for the year	**(668,946)**	1,635,248	**(85,597)**	1,527,973
Dividend	**(1,130,000)**	(900,000)	**(1,130,000)**	(900,000)
(Loss)/profit for the year	**(1,798,946)**	735,248	**(1,215,597)**	627,973
Other recognised gains and losses	**876,971**	-	**240,000**	-
Net (reduction in)/addition to equity shareholder's funds	**(921,975)**	735,248	**(975,597)**	627,973
Opening equity shareholder's funds	**3,570,329**	2,835,081	**3,041,547**	2,413,574
Closing equity shareholder's funds	**2,648,354**	3,570,329	**2,065,950**	3,041,547

Notes *(continued)*

23 Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating (loss) / profit	**(205,243)**	3,183,194
Depreciation charges	**52,034**	34,053
Loss on sale of fixed assets	**2,876**	2,393
Decrease in stocks	**1,386,759**	1,006,235
Decrease / (increase) in debtors	**4,465,195**	(2,239,118)
Increase in investments (held as current assets)	**(888,371)**	-
(Decrease) / increase in creditors	**(2,506,784)**	2,011,106
Net cash inflow from continuing operations	**2,306,466**	3,997,863

24 Gross cash flows

	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	**321,700**	216,841
Interest paid including interest on finance lease and hire purchase rental agreement	**(1,087,980)**	(1,080,401)
	(766,280)	(863,560)
Capital expenditure		
Payments to acquire tangible fixed assets	**(86,366)**	(195,088)
Assets acquired under finance lease	**112,603**	77,100
Receipts from sales of tangible fixed assets	**98,265**	66,455
	124,502	(51,533)
Financing		
Repayment of loans	**(1,719,027)**	(2,004,498)
New loans	**5,725,168**	-
Amounts introduced by directors	**625,006**	(174,794)
Capital payments of finance lease and hire purchase rental payments	**(55,674)**	(63,268)
	(4,575,473)	(2,242,560)

On 31 December 2007 £1,990,042 of stock was reclassified to investment properties. This transfer resulted in no movement in cash and so the associated movements have not been disclosed in the cash flow statement.

Notes *(continued)*

25 Analysis of changes in net debt

	Opening balance £	Cash flows £	Other Movement £	Closing balance £
Cash at bank and in hand	326,998	4,116,045	-	**4,443,043**
Debt due within one year	(4,305,322)	4,305,322	(6,058,090)	**(6,058,090)**
Debt due after one year	(12,599,821)	(8,936,469)	6,058,090	**(15,478,200)**
Hire purchase due within one year	(9,700)	55,674	(83,508)	**(37,534)**
Hire purchase due after one year	(19,400)	-	(29,095)	**(48,495)**
	(16,607,245)	(459,428)	(112,603)	**(17,179,276)**

26 Contingent liabilities

The group had no contingent liabilities at 31 December 2006.

Bournston Developments Limited has acted as guarantor on a finance facility with Singer & Friedlander for Bournston (Pavilions Block D) Limited, part of the Bournston Estates Limited group.

Bournston Developments Limited has acted as guarantor on a finance facility with AIB Group (UK) plc for Bournston (Curzon) Limited, part of the Bournston Estates Limited group.

Bournston Commercial Developments Limited has a counter indemnity to AIB Group (UK) plc in the sum of £6,500 in respect of a bond provided by AIB Group (UK) plc to Rotherham Borough Council.

Bournston Commercial Developments Limited has a counter indemnity to AIB Group (UK) plc in the sum of £99,691 in respect of a bond provided by AIB Group (UK) plc to Lincolnshire County Council.

At 31 December 2007 Bournston Property Limited has a counter indemnity to AIB Group (UK) plc in the sum of £9,669 in respect of a bond provided by AIB Group (UK) plc to Lincolnshire County Council.

Rental guarantees have been given on selected property sales. At 31 December 2007 the maximum amount payable by the group over the next year is £230,104.

27 Related party transactions

During the year the following transactions occurred:

The group had a loan at 31 December 2007 due from Lodgeday Management Ltd, a company in which Mr PM Kilmister is a director and controlling shareholder, in the sum of £1,726,968 *(2006: £1,904,861)* of which £1,726,968 *(2006: £nil)* was owed to the parent company. Interest on this loan has been charged at 7% per annum *(2006: 7%)*.

Lodgeday Management Limited purchased property at a total cost of £2,859,700 *(2006: £711,000)* from the group. Rental guarantees amounting to £157,433 *(2006: £72,805)* were paid to Lodgeday Management Limited.

Bournston Equestrian Partnership, in which Mr PM Kilmister is a partner, purchased horses for a total cost of £65,270 *(2006: £nil)* from the group. The group had a loan at 31 December 2007 of £347,409 *(2006: £110,398)* due from Bournston Equestrian Partnership.

The group had a loan at 31 December 2007 due to Bournston Estates Limited, a company in which Mr PM Kilmister is a director and 50% Shareholder, in the sum of £5,725,168 *(2006: £2,238,061 due from Bournston Estates Limited)*. Interest on the loan to Bournston Estates Limited has been charged at between 5% and 5.5% per annum. Interest on the loan from Bournston Estates Limited has been charged at 7% per annum *(2006: 7%)*. During the year Bournston Estates Limited was charged management costs of £865,000 *(2006: £460,000)*.

Notes *(continued)*

27 Related party transactions *(continued)*

Bournston Equestrian Partnership, a partnership in which Mr PM Kilmister is a partner, charged the company £30,000 *(2006: £nil)* for advertising.

The group had a loan at 31 December 2007 due from Mr BS Smith-Hilliard (Company Secretary), in the sum of £nil *(2006: £223,182)*. Interest on this loan has been charged at 7% per annum.

The group had a loan at 31 December 2007 due from the ultimate parent company, Bournston Group Limited, in the sum of £877,500 *(2006: £1,642,500)*. No interest was charged on this loan.

The group had a loan at 31 December 2007 of £979,149 *(2006: £117,132)* due to Mr PM Kilmister.

The group had a trade debtor at 31 December 2007 of £224,617 *(2006: £139,845)* due from Bournston (Trent Bridge) Limited, a company in which Mr PM Kilmister is a director.

The group had a trade debtor at 31 December 2007 of £162,711 *(2006: £162,711)* due from The Junxion Management Company Limited, a company in which Mr PM Kilmister is a director.

In the opinion of the director, these transactions were all at market value, and on normal commercial terms.

Bournston Developments Limited has acted as unlimited guarantor for Kentford Estates Limited on finance facilities with Close Property Finance Limited.

Bournston Developments Limited has acted as guarantor on finance facilities with AIB (UK) plc for Bournston Commercial Developments Limited in the sum of £1,600,000. Mr PM Kilmister and Mr BS Smith-Hilliard have also guaranteed £200,000 each in respect of this loan.

Mr PM Kilmister has guaranteed £300,000 in respect of Bournston Developments Limited loan with Northern Rock plc.

28 Ultimate parent company

The immediate and ultimate parent company is Bournston Group Limited, a company incorporated in the UK.

The company is controlled by its director who is the only shareholder of the ultimate parent company Bournston Group Limited.