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REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 1999
FOR
BOURNSTON DEVELOPMENTS LIMITED



BOURNSTON DEVELOPMENTS LIMITED

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for the Year Ended 31st December 1999

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BOURNSTON DEVELOPMENTS LIMITED

COMPANY INFORMATION

for the Year Ended 31st December 1999

DIRECTORS:

J R Whysall
P M Kilmister

SECRETARY:

B S Smith-Hilliard

REGISTERED OFFICE:

Ossington Chambers
Castle Gate
Newark
Nottinghamshire
NG24 1AX

REGISTERED NUMBER:

2775041 (England and Wales)

AUDITORS:

KPMG
Chartered Accountants and Registered
Auditors
St Nicholas House
Park Row
Nottingham
NG1 6FQ

BOURNSTON DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS

for the Year Ended 31st December 1999

The directors present their report with the financial statements of the company for the year ended 31st December 1999.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property development.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements. Whilst the directors are disappointed that a loss has arisen during the year, they are pleased to report that based on the most recent information available to them, they believe that the year ended 31st December 2000 will show a profit for the group in the region of £1 million. The results for the year ended 31st December 1999 reflect a period in which construction work on several developments commenced, but sales were not achieved until the following year. The loss is therefore largely occasioned by administrative overheads and interest charges not relating to a specific development.

DIVIDENDS

No dividend will be payable (1998 - nil).

POLITICAL AND CHARITABLE DONATIONS

No political donations were paid during the year (1998 - none). No charitable donations exceeding £200 were paid (1998- none).

DIRECTORS

The directors during the year under review were:

J R Whysall
P M Kilmister

The beneficial interests of the directors holding office on 31st December 1999 in the issued share capital of the company were as follows:

	31/12/99	1/1/99
'A' Ordinary £1 shares		
J R Whysall	1	1
P M Kilmister	-	-
'B' Ordinary £1 shares		
J R Whysall	-	-
P M Kilmister	1	1

In accordance with the company's Articles of Association, by virtue of holding the only issued 'A' share, Mr J R Whysall is classified as an 'A' designated director. Similarly, Mr P M Kilmister, who holds the only issued 'B' share is classified as a 'B' designated director.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

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

BOURNSTON DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS
for the Year Ended 31st December 1999

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:

.....
B S Smith-Hilliard - SECRETARY

Dated:

19.1.01

BOURNSTON DEVELOPMENTS LIMITED

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
BOURNSTON DEVELOPMENTS LIMITED**

We have audited the financial statements on pages five to fifteen which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page eight.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants and Registered
Auditors
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 19 January 2001

BOURNSTON DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT****for the Year Ended 31st December 1999**

		Year Ended 31/12/99	Period 1/9/97 to 31/12/98
	Notes	£	£
TURNOVER	2	188,520	342,774
Cost of sales		<u>(146,491)</u>	<u>(256,152)</u>
GROSS PROFIT		42,029	86,622
Administrative expenses		<u>(204,527)</u>	<u>(28,837)</u>
		(162,498)	57,785
Other operating income		<u>180,000</u>	<u>5,000</u>
OPERATING (LOSS)/PROFIT	4	17,502	62,785
Interest receivable and similar income		<u>4,246</u>	<u>510</u>
		21,748	63,295
Interest payable and similar charges	5	<u>(168,101)</u>	<u>(35,068)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(146,353)	28,227
Tax on (loss)/profit on ordinary activities	6	<u>(2,802)</u>	<u>(3,553)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(143,551)	24,674
Retained profit/(deficit) brought forward		<u>23,730</u>	<u>(944)</u>
(DEFICIT)/RETAINED PROFIT CARRIED FORWARD		<u>£(119,821)</u>	<u>£23,730</u>

The notes form part of these financial statements

BOURNSTON DEVELOPMENTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the Year Ended 31st December 1999

	Year Ended 31/12/99	Period 1/9/97 to 31/12/98
	£	£
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(143,551)	24,674
Unrealised surplus on revaluation of investments	<u>51,488</u>	<u>237,478</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>£(92,063)</u>	<u>£262,152</u>

The notes form part of these financial statements

BOURNSTON DEVELOPMENTS LIMITED**BALANCE SHEET****as at 31st December 1999**

		<u>31/12/99</u>		<u>31/12/98</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		28,957		10,528
Investments	8		<u>1,248,837</u>		<u>940,000</u>
			1,277,794		950,528
CURRENT ASSETS:					
Stocks		639,780		348,918	
Debtors	9	1,717,098		16,765	
Cash at bank		<u>309,944</u>		<u>37,032</u>	
		2,666,822		402,715	
CREDITORS: Amounts falling due within one year	10	<u>(1,090,762)</u>		<u>(705,682)</u>	
NET CURRENT ASSETS/(LIABILITIES):			<u>1,576,060</u>		<u>(302,967)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			2,853,854		647,561
CREDITORS: Amounts falling due after more than one year	11		<u>(2,629,169)</u>		<u>(386,351)</u>
			<u>£224,685</u>		<u>£261,210</u>
CAPITAL AND RESERVES:					
Called up share capital	14		2		2
Revaluation reserve	15		344,504		237,478
Profit and loss account			<u>(119,821)</u>		<u>23,730</u>
SHAREHOLDERS' FUNDS:			<u>£224,685</u>		<u>£261,210</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

ON BEHALF OF THE BOARD:


P M Kilmister - DIRECTOR

Approved by the Board on ...19.1.01

BOURNSTON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the Year Ended 31st December 1999**

1. ACCOUNTING POLICIES

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 the Financial Reporting Standard for Smaller Entities (effective March 2000).

The company and its subsidiary comprise a small group. The company has therefore taken advantage of Section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover comprises the value of services provided during the year and rents receivable (exclusive of Value Added Tax)

Tangible fixed assets

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

Investment Property

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 directors consider 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 been increased 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.

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.

Purchases and sales of properties are accounted for on exchange of contracts, unless the contract is conditional and the condition has not been satisfied at the date the financial statements are approved. In such circumstances the purchase or sale is accounted for on completion of contracts.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

BOURNSTON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the Year Ended 31st December 1999**

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.

2. TURNOVER

The turnover and loss (1998 - profit) before taxation are attributable to the one principal activity of the company.

3. STAFF COSTS

	Year Ended 31/12/99 £	Period 1/9/97 to 31/12/98 £
Wages and salaries	97,484	960
Social security costs	<u>6,343</u>	<u>-</u>
	<u>103,827</u>	<u>960</u>

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

	Year Ended 31/12/99	Period 1/9/97 to 31/12/98
Sales	2	2
Office and administration	<u>5</u>	<u>2</u>
	<u>7</u>	<u>4</u>

4. OPERATING (LOSS)/PROFIT

The operating loss (1998 - operating profit) is stated after charging:

	Year Ended 31/12/99 £	Period 1/9/97 to 31/12/98 £
Depreciation - owned assets	2,741	843
Depreciation - assets on hire purchase contracts	719	-
Auditors' remuneration	<u>4,000</u>	<u>-</u>
	<u>77,518</u>	<u>-</u>
Directors' emoluments and other benefits etc	<u>77,518</u>	<u>-</u>

BOURNSTON DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the Year Ended 31st December 1999**5. INTEREST PAYABLE AND SIMILAR CHARGES**

Interest payable and similar charges includes the following:

	Year Ended 31/12/99	Period 1/9/97 to 31/12/98
	£	£
Bank interest	2,174	428
Loan interest	161,869	34,640
Other interest	3,571	-
Hire purchase charges	<u>487</u>	<u>-</u>
	<u>168,101</u>	<u>35,068</u>

Included within loan interest is £1,968 (1998-Nil) in relation to a loan from Waterlakes Estates Ltd., a wholly owned subsidiary of Bournston Developments Ltd.

6. TAXATION

The tax charge on the loss on ordinary activities for the year was as follows:

	Year Ended 31/12/99	Period 1/9/97 to 31/12/98
	£	£
UK corporation tax	<u>(2,802)</u>	<u>3,553</u>

UK corporation tax has been charged at 21% (1998 - 21%).

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£
COST:				
At 1st January 1999	9,564	-	1,807	11,371
Additions	<u>1,012</u>	<u>20,800</u>	<u>77</u>	<u>21,889</u>
At 31st December 1999	<u>10,576</u>	<u>20,800</u>	<u>1,884</u>	<u>33,260</u>
DEPRECIATION:				
At 1st January 1999	642	-	201	843
Charge for year	<u>1,427</u>	<u>1,494</u>	<u>539</u>	<u>3,460</u>
At 31st December 1999	<u>2,069</u>	<u>1,494</u>	<u>740</u>	<u>4,303</u>
NET BOOK VALUE:				
At 31st December 1999	<u>8,507</u>	<u>19,306</u>	<u>1,144</u>	<u>28,957</u>
At 31st December 1998	<u>8,922</u>	<u>-</u>	<u>1,606</u>	<u>10,528</u>

BOURNSTON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st December 1999

7. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	<u>Motor vehicles</u>
	£
COST:	
Additions	<u>11,500</u>
At 31st December 1999	<u>11,500</u>
DEPRECIATION:	
Charge for year	<u>719</u>
At 31st December 1999	<u>719</u>
NET BOOK VALUE:	
At 31st December 1999	<u><u>10,781</u></u>

8. FIXED ASSET INVESTMENTS

	£
COST OR VALUATION:	
At 1st January 1999	940,000
Additions	201,811
Surplus on revaluation	<u>107,026</u>
At 31st December 1999	<u>1,248,837</u>
NET BOOK VALUE:	
At 31st December 1999	<u><u>1,248,837</u></u>
At 31st December 1998	<u><u>940,000</u></u>

Cost or valuation at 31st December 1999 is represented by:

	£
Valuation in 1998	237,478
Valuation in 1999	107,026
Cost	<u>904,333</u>
	<u><u>1,248,837</u></u>

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

	31/12/99	31/12/98
	£	£
Cost	<u>904,333</u>	<u>702,522</u>

Investments were valued on an open market basis on 31st December 1999 by the Directors.

BOURNSTON DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the Year Ended 31st December 1999**8. FIXED ASSET INVESTMENTS - continued**

	31/12/99	31/12/98
	£	£
Unlisted investments	<u>1,248,837</u>	<u>940,000</u>

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: Ownership of property for letting

	% holding	31/12/99	30/4/99
		£	£
Class of shares:			
Ordinary £1	100.00		
Aggregate capital and reserves		324,073	297,001
Profit for the period/year		<u>27,072</u>	<u>73,976</u>

Kentford Estates Ltd

Nature of business: Property development

	% holding	30/6/99
		£
Class of shares:		
Ordinary	100.00	
Aggregate capital and reserves		(3,108)
Loss for the year		<u>(4,108)</u>

**9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31/12/99	31/12/98
	£	£
Trade debtors	110,530	12,241
Other debtors	7,126	86
Prepayments	56,179	4,438
Loan to Group Undertaking	1,540,461	-
Corporation Tax refundable	<u>2,802</u>	<u>-</u>
	<u>1,717,098</u>	<u>16,765</u>

**10. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31/12/99	31/12/98
	£	£
Bank loans and overdrafts	392,061	105,111
Loan	-	159,337
Hire purchase contracts	17,460	-
Trade creditors	78,998	190,063
Directors Loan Accounts	69,410	56,000
Other creditors and accruals	81,568	4,412
Loan from subsidiary company	344,835	160,984
Social security & other taxes	5,139	21,006
Taxation	-	3,551
Accrued expenses	<u>101,291</u>	<u>5,218</u>
	<u>1,090,762</u>	<u>705,682</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the company's assets. Hire Purchase contracts are secured on the assets concerned.

BOURNSTON DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****for the Year Ended 31st December 1999****11. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	31/12/99	31/12/98
	£	£
Bank loans	629,169	386,351
Other loans (unsecured)	1,250,000	-
Directors loans (unsecured)	750,000	-
	<u>2,629,169</u>	<u>386,351</u>

Amounts falling due in more than five years:

Repayable by instalments		
Bank loans	<u>456,749</u>	<u>213,931</u>

The bank loans are repayable after more than five years and are secured by a fixed charge over individual property assets belonging to the company. The bank loans bear interest at a rate which fluctuates in line with the inter bank rate. At 31st December 1999, these varied between 8% and 10%.

The directors expect the loans by themselves totalling £750,000 will be repaid no later than 30th June 2001 out of profits generated. The interest rate on these loans is 31.25% per annum.

Of the other unsecured loans totalling £1,250,000, £800,000 falls due for repayment during year 2001, and £450,000 becomes due for repayment in 2002. These loans carry an effective rate of interest of between 13% and 16% per annum.

12. SECURED DEBTS

The following secured debts are included within creditors:

	31/12/99	31/12/98
	£	£
Bank overdrafts	-	6,600
Bank loans	1,021,230	484,862
Hire purchase contracts	17,460	-
	<u>1,038,690</u>	<u>491,462</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

The amount for which no provision has been made in respect of deferred taxation, is as follows:

	31/12/99	31/12/98
	£	£
Revaluation surplus	<u>-</u>	<u>28,870</u>

BOURNSTON DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st December 1999****14. CALLED UP SHARE CAPITAL**

Authorised:		Nominal value:	31/12/99	31/12/98
Number:	Class:		£	£
50	'A' Ordinary	£1	50	50
50	'B' Ordinary	£1	<u>50</u>	<u>50</u>
			<u>100</u>	<u>100</u>

Allotted, issued and fully paid:		Nominal value:	31/12/99	31/12/98
Number:	Class:		£	£
1	'A' Ordinary	£1	1	1
1	'B' Ordinary	£1	<u>1</u>	<u>1</u>
			<u>2</u>	<u>2</u>

15. REVALUATION RESERVE

	31/12/99	31/12/98
	£	£
Brought forward	237,478	-
Surplus for the year	<u>107,026</u>	<u>237,478</u>
	<u>344,504</u>	<u>237,478</u>

16. CONTINGENT LIABILITIES

The company had no contingent liabilities at 31st December 1999(1998-None).

17. CAPITAL COMMITMENTS

	31/12/99	31/12/98
	£	£
Contracted but not provided for in the financial statements	<u>-</u>	<u>-</u>

18. TRANSACTIONS WITH DIRECTORS

- (i) The company acquired a motor vehicle from Mr J R Whysall at estimated market value of £9,300. The company also acquired a motor vehicle from Lodgeday Management Limited, a company in which Mr P M Kilmister is a director and controlling shareholder, at estimated market value of £11500, the Hire Purchase agreement on this car also being transferred into the name of Bournston Developments Limited, the amount of capital outstanding at the date of transfer being £18,450.
- (ii) During the year, the company acquired from Bournfield Limited, a company in which Mr J R Whysall is a director and controlling shareholder, a freehold property at a cost of £62,657. This property was subsequently sold by the company for £46,000. The directors of Bournston Developments Limited had given an undertaking to Bournfield Limited that the company would meet certain additional costs incurred in relation to the acquisition and retention of the property involved as Bournfield Limited had, by purchasing the property, settled an onerous obligation that would otherwise have fallen due to be met by Bournston Developments Limited.

BOURNSTON DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31st December 1999

18. TRANSACTIONS WITH DIRECTORS - continued

- (iii) In the previous accounting period, the company had traded on normal commercial terms, for management services provided, to a value of £5000 (excluding VAT) with Claremont Properties Limited, a company in which Mr P M Kilmister and Mr J R Whysall were directors and minority shareholders.
- (iv) The company has a loan at 31st December 1999 due from Lodgeday Management Limited in the sum of £7126 (1998 - amount due to Lodgeday Management Ltd £215). The company also had a loan due to Bournfield Limited as at 31st December 1999 amounting to £38,157 (1998 - Nil). Interest on these loans is being charged at 10% per annum.

19. TRANSACTIONS WITH RELATED PARTIES

At 31st December 1999, a subsidiary company, Waterlakes Estates Limited had provided Bournston Developments Limited with a loan of £347,835 (1998 - £160,984). The loan was interest free for part of the year, total interest credited during the year amounting to £1,968.