Conky Properties Limited

Unaudited financial statements

For the year ended 31 October 2006

Grant Thornton

Company No. 03456750

Company information

Company registration number	03456750
Registered office	The Corn Exchange Brunswick Street Liverpool L2 7TP
Directors	Mr A Mason Mr C Mason Mr N Platts
Secretary	Mr B D Harvey
Bankers	The Royal Bank of Scotland plc 1 Dale Street Liverpool L2 2PP
Solicitors	Hill Dickinson LLP Pearl Assurance House Derby Square Liverpool L2 9XL
Accountants	Grant Thornton UK LLP Chartered Accountants 1st Floor Royal Liver Building Liverpool L3 1PS

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Report of the directors

The directors present their report and the unaudited financial statements of the company for the year ended 31 October 2006

Principal activity

The company's principal activity is property investment

Results and dividends

The loss for the year amounted to £126,009 Particulars of dividends paid are detailed in note 8 to the financial statements

Financial risk management objectives and policies

The company uses various financial instruments These include loans, cash, equity and various items, such as operating debtors and operating creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings The interest rate on the borrowing facilities is currently 1 25% above the bank's base rate

Credit risk

The company's principal financial assets are cash and operating debtors The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies The principal credit risk therefore arises from its operating debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history

Directors

The directors who served the company during the year were as follows

Mr A Mason
Mr C Mason
Mr N Platts

BY ORDER OF THE BOARD

Mr B D Harvey
Secretary
9 August 2007

Grant Thornton

Chartered accountants' report to the board of directors on the unaudited financial statements of Conky Properties Limited

In accordance with the engagement letter dated 23 July 2007, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company for the year ended 31 October 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, statement of total recognised gains and losses, note of historical cost profits and losses and the related notes from the accounting records and information and explanations you have given to us

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of our engagement Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters that we have agreed to state to them in this 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 Board of Directors, as a body, for our work or for this report

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements

You have acknowledged on the balance sheet your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985 You consider that the company is exempt from the statutory requirement for an audit for the year

We have not been instructed to carry out an audit of the financial statements For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS

LIVERPOOL

14th August 2007

Principal 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

The principal accounting policies of the company are set out below

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards

-the presentation requirements of FRS 25 'Financial Instruments Disclosure and Presentation (IAS 32)'

FRS 25 'Financial Instruments Disclosure and Presentation (IAS 32)'

The adoption of this accounting policy has had no effect on the presentation of the information in these financial statements

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small

Turnover

Turnover represents the amount derived from the company's one continuing activity of property investment in the United Kingdom

Fixed assets

All fixed assets are initially recorded at cost

Investment properties

Investment properties are shown at their open market value The surplus or deficit arising from the annual revaluation is transferred to the investment properties revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year

This is in accordance with SSAP 19 which, unlike Schedule 4 to the Companies Act 1985, does not require depreciation of investment properties Investment properties are held for their investment potential and not for use by the company and so their current value is of prime importance The departure from the provisions of the Act is required in order to give a true and fair view

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

Deferred tax is measured on 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

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	2006 £	2005 £
Turnover	1	**103,131**	11,540,857
Property expenses		**7,464**	10,462,245
Gross profit		**95,667**	1,078,612
Other operating charges	2	**42,197**	1,107,913
Operating profit/(loss)	3	**53,470**	(29,301)
(Loss)/profit on disposal of fixed assets		**(106,716)**	22,634
		(53,246)	(6,667)
Interest receivable		**1,159**	–
Interest payable and similar charges	6	**(94,947)**	(107,627)
Loss on ordinary activities before taxation		**(147,034)**	(114,294)
Tax on loss on ordinary activities	7	**(21,025)**	(58,375)
Loss for the financial year	17	**(126,009)**	(55,919)

All of the activities of the company are classed as continuing

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	9	**1,917,725**	2,672,077
Current assets			
Debtors	10	**36,886**	1,064,012
Cash at bank		**16,564**	209,984
		53,450	1,273,996
Creditors: amounts falling due within one year	11	**1,242,566**	2,105,249
Net current liabilities		**(1,189,116)**	(831,253)
Total assets less current liabilities		**728,609**	1,840,824
Creditors: amounts falling due after more than one year	12	**-**	539,056
		728,609	1,301,768
Capital and reserves			
Called-up equity share capital	16	**50**	50
Revaluation reserve	17	**678,763**	1,009,876
Other reserves	17	**50**	50
Profit and loss account	17	**49,746**	291,792
Shareholders' funds	18	**728,609**	1,301,768

The directors are satisfied that the company is entitled to exemption from the provisions of the Companies Act 1985 (the Act) relating to the audit of the financial statements for the year by virtue of section 249A(1), and that no member or members have requested an audit pursuant to section 249B(2) of the Act

The directors acknowledge their responsibilities for
(i) ensuring that the company keeps proper accounting records which comply with section 221 of the Act, and
(ii) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company

These financial statements were approved by the directors on 9/8/07 and are signed on their behalf by

Andrew Mason

Mr A Mason
Director

The accompanying accounting policies and notes form part of these financial statements.

Other primary statements

Statement of total recognised gains and losses

	2006 £	2005 £
Loss for the financial year	**(126,009)**	(55,919)
Unrealised (loss)/profit on revaluation of tangible fixed assets		
Freehold investment property	**(13,395)**	117,881
Taxation on revaluation surplus, realised on sale of fixed asset investment property	**(33,755)**	(139,772)
Total gains and losses recognised for the year	**(173,159)**	(77,810)

Note of historical cost profits and losses

	2006 £	2005 £
Loss on ordinary activities before taxation	**(147,034)**	(114,294)
Realisation of gains recognised in previous periods	**317,718**	474,725
Historical cost profit on ordinary activities before taxation	**170,684**	360,431
Historical cost profit for the year After taxation	**157,954**	418,806

Notes to the financial statements

1 Turnover

The turnover and loss on ordinary activities before taxation is attributable to one activity, which is carried on in a single geographical market

An analysis of turnover is given below

	2006 £	2005 £
United Kingdom	**103,131**	11,540,857

2 Other operating charges

	2006 £	2005 £
Administrative expenses	**42,197**	1,107,913

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging

	2006 £	2005 £
Accountants' remuneration		
Audit fees	–	4,250

4 Directors and employees

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

	2006 No	2005 No
Number of management staff	**3**	3

The aggregate payroll costs of the above were

	2006 £	2005 £
Wages and salaries	–	945,000
Social security costs	–	120,960
	–	1,065,960

5 Directors

Remuneration in respect of directors was as follows

	2006	2005
	£	£
Emoluments receivable	-	945,000

Emoluments of highest paid director

	2006	2005
	£	£
Total emoluments	-	472,500

6 Interest payable and similar charges

	2006	2005
	£	£
Interest payable on bank borrowing	94,947	92,150
Other similar charges payable	-	15,477
	94,947	107,627

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006	2005
	£	£
Current tax		
UK Corporation tax based on the results for the year at 19% (2005 - 30%)	-	(58,375)
Over provision in prior year	(21,025)	-
Total current tax	(21,025)	(58,375)

(b) Tax included in statement of total recognised gains and losses

The taxation arising on the revaluation surplus on the disposal of the investment property amounting to £33,755 has been taken directly to the profit and loss reserve in accordance with FRS 16

7 Taxation on ordinary activities (continued)

(c) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2005 - 30%)

	2006	2005
	£	£
Loss on ordinary activities before taxation	**(147,034)**	(114,294)
Loss on ordinary activities by rate of tax	**(27,936)**	(34,288)
Capital gains tax on disposal of property	**40,250**	125,570
Expenses disallowed for tax purposes	**1,165**	2,173
Tax on assets previously revalued	**(33,755)**	(139,772)
Loss on sale of fixed assets	**20,276**	-
Tax chargeable at lower rates	-	(12,058)
Adjustments to tax charge in respect of previous periods	**(21,025)**	-
Total current tax (note 7(a))	**(21,025)**	(58,375)

8 Dividends

Dividends on shares classed as equity

	2006	2005
	£	£
Paid during the year		
Equity dividends on ordinary shares of £8,000 (2005 £nil) per share	**400,000**	–

9 Tangible fixed assets

	Freehold investment property
	£
Cost or valuation	
At 1 November 2005	2,672,077
Additions	1,155,223
Disposals	(1,896,180)
Revaluation	(13,395)
At 31 October 2006	1,917,725
Depreciation	
At 1 November 2005 and 31 October 2006	–
Net book value	
At 31 October 2006	**1,917,725**
At 31 October 2005	2,672,077

The investment properties have been revalued at 31 October 2006, by A Mason, a director and qualified chartered surveyor on the basis of an open market value existing use basis

Deferred taxation, based on the unrealised revaluation surpluses, has not been provided as the directors consider that properties are held primarily for long term investment, and not with the intention of resale in the foreseeable future The deferred tax amount is disclosed as a contingent liability (see note 14)

If certain fixed assets had not been revalued, they would have been included on the historical cost basis at the following amounts

	NBV of revalued freehold investment properties £
Cost	1,238,962
Net book amount at 31 October 2006	**1,238,962**
Net book amount at 1 November 2005	1,662,201

10 Debtors

	2006 £	2005 £
Operating debtors	**1,673**	–
Amount owed by related company	**5,255**	15,958
Other debtors	**8,234**	1,038,979
Prepayments and accrued income	**21,724**	9,075
	36,886	1,064,012

11 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loan	**1,138,499**	926,747
Operating creditors	**31,717**	148,977
Corporation tax	**33,755**	81,397
Other taxation and social security	–	508,410
Other creditors	–	259,600
Directors loan accounts	–	18,074
Accruals and deferred income	**38,595**	162,044
	1,242,566	2,105,249

The bank loan is interest bearing at 1 25% above the bank's base rate and is secured by a first legal charge over the assets of the company The loan is repayable in full on 2 October 2007

The directors loan accounts were repaid during the year Interest was paid on the loans as detailed in note 15

12 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Bank loan	–	539,056

13 Creditors - bank loan

Creditors includes a bank loan which is due for repayment as follows

	2006	2005
	£	£
Amounts repayable		
In one year or less or on demand	**1,138,499**	926,747
In more than one year but not more than two years	–	60,944
In more than two years but not more than five years	–	121,888
In more than five years	–	356,224
	1,138,499	1,465,803

14 Contingent liabilities

There is a contingent liability of £204,000 (2005 £302,963) in respect of Corporation Tax which would be payable if the company's investment properties were sold at their revalued amounts

15 Related party transactions

A P Mason, C I Mason and N Platts are directors of this company, and directors and shareholders of Mason and Partners Limited An amount of £5,255 (2005 £15,958) was due from Mason & Partners Limited who act as managing agents for the company

During the year the company incurred property management charges of £4,209 (2005 £4,708) and £34,545 for other professional services (2005 £121,463) payable to Mason and Partners Limited At 31 October 2006, £21,262 (2005 £nil) was owed to Mason and Partners Limited and is included within operating creditors In addition an amount of £2,747 (2005 £2,996) is owed to Mason and Partners Limited and is included in accruals

The directors loan accounts were unsecured and interest bearing at 2% above the bank's base rate Interest payable to the directors during the year amounted to £nil (2005 £12,250) and interest owing to the directors at the year end amounted to £Nil (2005 £10,094) which was included in accruals

16 Share capital

Authorised share capital

	2006	2005
	£	£
1,000 Ordinary shares of £1 each	**1,000**	1,000

Allotted, called up and fully paid

	2006 No	2006 £	2005 No	2005 £
Ordinary shares of £1 each	**50**	**50**	50	50

17 Reserves

	Revaluation reserve	Capital redemption reserve	Profit and loss account
	£	£	£
At 1 November 2005	**1,009,876**	**50**	**291,792**
Loss for the year	–	–	**(126,009)**
Equity dividends	–	–	**(400,000)**
Taxation on revaluation surplus realised on the sale of the investment property	–	–	**(33,755)**
Other gains and losses			
- Revaluation of fixed assets	**(13,395)**	–	–
Other movements			
- transfer to/from revaluation reserve	**(317,718)**	–	**317,718**
At 31 October 2006	**678,763**	**50**	**49,746**

18 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Loss for the financial year	**(126,009)**	(55,919)
Other net recognised gains and losses	**(13,395)**	117,881
Equity dividends paid	**(400,000)**	–
Taxation on revaluation surplus realised on the sale of the investment property	**(33,755)**	(139,772)
Net reduction to shareholders' funds	**(573,159)**	(77,810)
Opening shareholders' funds	**1,301,768**	1,379,578
Closing shareholders' funds	**728,609**	1,301,768

19 Capital commitments

The directors have confirmed that there are no capital commitments at 31 October 2006 or 31 October 2005