

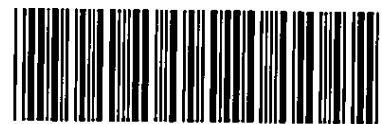
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SPICERHAART GROUP LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2008

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SPICERHAART GROUP LIMITED

I N D E X

Year ended 31 December 2008

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SPICERHAART GROUP LIMITED

G E N E R A L I N F O R M A T I O N

Year ended 31 December 2008

Directors

P A Smith
L F E Pollington (appointed 20 February 2008)
R Jervis (appointed 27 January 2009)

Secretary

L F E Pollington

Registered office

Wellington House
Butt Road
Colchester
Essex
CO3 3DA

Company number

4081664

Auditors

Dixon Wilson
22 Chancery Lane
London
WC2A 1LS

Bankers

National Westminster Bank plc
25 High Street
Colchester
Essex
CO1 1DG

Solicitors

Ashurst
Broadwall House
5 Appold Street
London
EC2A 2HA

SPICERHAART GROUP LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2008

The directors submit their report and accounts for the year ended 31 December 2008.

Results and dividends

The consolidated profit and loss account, consolidated statement of total recognised gains and losses and balance sheet of the group and of the company are set out on pages 6 to 9. These should be read in conjunction with their related notes.

The group made a loss in the year of £3,034,506 (2007 – profit £6,889,304) which has been transferred to reserves.

The directors paid a dividend of £714,102 (2007 – £nil) during the year.

On 17 March 2008, the company purchased 436 ordinary shares of £1 each of its own shares from a shareholder for total consideration of £1,500,000.

Review of the business

The group's principal activity during the year was that of estate agency and related services.

2008 was perhaps the most difficult trading period for the housing market since the early 70's with the unprecedented collapse in the banking sector leading to severe limitations on the availability of mortgage finance.

In common with the market as a whole, the group experienced a drop off of more than 50% in the number of house sales as the house market volumes tumbled to an all time low. However, decisive and timely management action, combined with a focus on business fundamentals resulted in the Group significantly outperforming its peers. Having anticipated the downturn and initiated a major programme of rationalisation in early Q3 of 2007, operating costs dropped very significantly and the full benefit of this rationalisation is now being realised in 2009.

Whilst estate agency naturally saw a significant drop in profits, other key parts of the business delivered outstanding results, demonstrating the group's resilience to fluctuations in the market.

The group delivered an underlying operating loss of £(1.3)m a strong performance in light of the market. Certain restructuring costs and investment in new businesses increased overall reported operating losses.

2009 has started positively, with the group making above expected profits and having built up a significant cash balance at the end of the first half. The directors are cautiously optimistic about the outlook for the remainder of 2009 but, remain alert to the possibility of further market volatility as the economic recovery gathers pace.

Financial instruments

The group's principal financial instruments include financial assets and liabilities such as trade debtors and trade creditors which arise directly from its operations. Companies in the group also participate in a centralised treasury function pooling cash balances and lending or borrowing funds to companies within the group to fund operations.

- Liquidity risk

The centralised treasury function helps to maximise interest income and minimise interest expense whilst ensuring that each company has sufficient liquid resources to meet its operating needs.

- Interest rate risk

The group is exposed to interest rate risk on its deposits. The group is also exposed to interest rate risk on some of its loans.

- Credit risk

Investments of cash surpluses are made through banks and other reputable financial institutions as approved by the board. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Directors

The directors who held office during the year are shown on page 2.

SPICERHAART GROUP LIMITED

R E P O R T O F T H E D I R E C T O R S

Year ended 31 December 2008

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial period 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;
- 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 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.

Employee involvement

Efforts have been made to consult with and inform employees on matters which concern them with emphasis on the continuing growth and development of the company. Communication is principally through the regional and branch management structure.

It is the policy of the group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the group, as well as through training and career development.

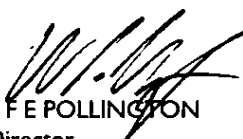
Donations

During the year the group made charitable donations of £525 (2007 - £25,262).

Statement as to disclosure of information to auditors

So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and he has taken all steps that he ought to have taken as director in order to make himself aware of any relevant audit information and has established that the company's auditors are aware of that information.

By order of the board


L F E POLLINGTON
Director

Colchester
21 OCTOBER 2009

SPICERHAART GROUP LIMITED

AUDITORS' REPORT

Year ended 31 December 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SPICERHAART GROUP LIMITED

We have audited the group and parent company financial statements of Spicerhaart Group Limited for the year ended 31 December 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies 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 shareholders, 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 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 company and the company's shareholders as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant 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 and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


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

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and parent company as at 31 December 2008 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- the information given in the directors' report is consistent with the financial statements.



DIXON WILSON
Chartered Accountants and Registered Auditors
22 Chancery Lane
London WC2A 1LS
23 October 2009

SPICERHAART GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****Year ended 31 December 2008**

	Note	2008 £	2007 £
Turnover	1	71,340,152	119,267,506
Operating costs		(75,137,530)	(108,979,931)
		<u>(3,797,378)</u>	<u>10,287,575</u>
Amortisation of goodwill		(297,046)	(297,045)
Operating (loss)/profit	2	(4,094,424)	9,990,530
Loss on disposal of fixed assets		(177,123)	(287,025)
Interest receivable		1,002,846	874,497
Interest payable	3	(642,363)	(48,326)
(Loss)/profit for the year before taxation		(3,911,064)	10,529,676
Taxation	7	259,206	(3,640,372)
(Loss)/profit for the year after taxation		(3,651,858)	6,889,304
Minority interests		617,352	-
(Loss)/profit for the year attributable to the members of Spicerhaart Group Limited		(3,034,506)	6,889,304

All amounts relate to continuing operations.

SPICERHAART GROUP LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES**

Year ended 31 December 2008

	2008	2007
	£	£
(Loss)/profit for the year attributable to the members of Spicerhaart Group Limited	(3,034,506)	6,889,304
Revaluation losses in respect of investment properties	(51,000)	(25,000)
Total recognised gains and losses relating to the year	(3,085,506)	6,864,304

SPICERHAART GROUP LIMITED

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	8	4,025,207	2,735,632
Tangible assets	9	4,882,610	5,854,928
Investment properties	10	150,000	201,000
Investments	11	400,000	400,000
		<u>9,457,817</u>	<u>9,191,560</u>
Current assets			
Debtors	13	15,815,891	15,873,356
Cash at bank and in hand		7,785,761	13,149,933
		<u>23,601,652</u>	<u>29,023,289</u>
Creditors: amounts falling due within one year	15	(20,597,216)	(21,737,695)
Net current assets		<u>3,004,436</u>	<u>7,285,594</u>
Total assets less current liabilities		<u>12,462,253</u>	<u>16,477,154</u>
Creditors: amounts falling due after more than one year	16	(3,066,806)	-
Net assets		<u>9,395,447</u>	<u>16,477,154</u>
Capital and reserves			
Called up share capital	17	4,030	4,466
Share premium	20	19,239,682	19,239,682
Capital redemption reserve	20	436	-
Investment property revaluation reserve	20	61,000	112,000
Profit and loss account	20	(7,976,837)	(2,928,896)
Merger reserve	20	49,902	49,902
Equity shareholders' funds (including non-equity)	19	<u>11,378,213</u>	<u>16,477,154</u>
Minority interests		<u>(1,982,766)</u>	<u>-</u>
Net funds attributable to the members of Spicerhaart Group Limited		<u>9,395,447</u>	<u>16,477,154</u>
Shareholders' funds comprises:			
Equity interests		9,395,347	16,477,054
Non-equity interests		<u>100</u>	<u>100</u>

The financial statements on pages 6 to 25 were approved by the board of directors on 21 October 2009 and were signed on its behalf by:-



P A SMITH
Director

SPICERHAART GROUP LIMITED

COMPANY BALANCE SHEET

At 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Investments	11	<u>22,256,628</u>	<u>57,797</u>
Current assets			
Debtors due after more than one year	13	1,490,038	-
Debtors due within one year	13	<u>6,544,252</u>	<u>14,277,937</u>
		8,034,290	14,277,937
Cash at bank and in hand		<u>2,869,255</u>	<u>1,775</u>
		10,903,545	14,279,712
Creditors: amounts falling due within one year	15	<u>(17,730,334)</u>	<u>(44,665)</u>
Net current (liabilities)/assets		<u>(6,826,789)</u>	<u>14,235,047</u>
Total assets less current liabilities		<u>15,429,839</u>	<u>14,292,844</u>
Creditors: amounts falling due after more than one year	16	-	-
Net assets		<u>15,429,839</u>	<u>14,292,844</u>
Capital and reserves			
Called up share capital	17	4,030	4,466
Share premium	20	19,289,582	19,289,582
Capital redemption reserve	20	436	-
Profit and loss account	20	<u>(3,864,209)</u>	<u>(5,001,204)</u>
Shareholders' funds (including non-equity)	19	<u>15,429,839</u>	<u>14,292,844</u>
Shareholders' funds comprise:			
Equity interests		15,429,739	14,292,744
Non-equity interests		<u>100</u>	<u>100</u>

The financial statements on pages 6 to 25 were approved by the board of directors on 21 OCTOBER 2009 and were signed on its behalf by:-



P A SMITH
Director

SPICERHAART GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2008

	Note	2008	2007
		£	£
Net cash (outflow)/inflow from operating activities	23	(7,568,130)	19,562,884
Returns on investments and servicing of finance			
Interest received	1,002,846	874,497	
Interest paid	(642,363)	(48,326)	
Net cash inflow from returns on investments and servicing of finance		360,483	826,171
Taxation		(1,543,326)	(2,251,955)
Capital expenditure and financial investment			
Payments to acquire investment	-	(400,000)	
Receipts on sale of tangible fixed assets	197,836	-	
Payments to acquire tangible fixed assets	(2,283,633)	(4,257,462)	
Net cash outflow from capital expenditure and financial investment		(2,085,797)	(4,657,462)
Acquisitions and disposals			
Purchase of subsidiary undertaking	29	(1,887,308)	
Net overdrafts acquired with subsidiary	(2,885,741)	(197,894)	
Net cash outflow from acquisitions and disposals		(2,885,712)	(2,085,202)
Net cash (outflow)/inflow before financing		(13,722,482)	11,394,436
Financing			
Increase/(decrease) in debt financing	10,572,412	(4,793,750)	
Repurchase of share capital	(1,500,000)	(10,000)	
Dividends paid	(714,102)	-	
Net cash inflow/(outflow) from financing		8,358,310	(4,803,750)
(Decrease)/increase in cash	24	(5,364,172)	6,590,686

SPICERHAART GROUP LIMITED

ACCOUNTING POLICIES

Year ended 31 December 2008

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties.

Basis of consolidation

The group's financial statements consolidate the financial statements of the company and its subsidiary undertakings at 31 December 2008 using acquisition accounting for subsidiaries acquired other than by issuing shares. Merger accounting has been used for the consolidation of Darlows Limited and Spicerhaart Limited.

Investments

Investments are stated at cost less provision for diminution in value.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold buildings	- evenly over 50 years
Leasehold improvements	- evenly over 5 years
Fixtures, fittings and office equipment	- evenly over 3 or 4 years
Motor vehicles	- evenly over 4 years

Leasehold premiums are amortised over the shorter of the remaining length of the lease or useful economic life of the leasehold.

Leases

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

Goodwill

Goodwill on consolidation is amortised over its expected useful life of 10 or 20 years.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the year.

SPICERHAART GROUP LIMITED

ACCOUNTING POLICIES

Year ended 31 December 2008

Deferred taxation

Deferred taxation is provided at current rates of taxation in respect of all material timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable on the basis that there is evidence that there will be suitable taxable profits in the future.

Investment properties

Investment properties are revalued annually at open market value and any temporary surplus or deficit is transferred to the investment property revaluation reserve. Permanent deficits on individual properties are charged in the profit and loss account which is also credited with any subsequent reversals. As these properties are held for investment purposes, not consumption, depreciation is not considered to be relevant. Depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise be shown, cannot be separately identified or quantified. This is contrary to the provisions of the Companies Act 1985, but is in accordance with SSAP 19 and the directors believe that this gives a true and fair view.

Share-based payments

The group reflects the economic cost of awarding share options to employees of the group by recording an expense in the profit and loss account equal to the benefit awarded, fair value being determined by reference to option pricing models. The expense is recognised in the profit and loss account over the vesting period of the award.

SPICERHAART GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008****1. Turnover**

Turnover comprises commission and fees receivable excluding VAT. Commission earned on sales of residential and commercial property is recognised on the exchange of contract. Commission earned on financial services is recognised when insurance policies go on risk and when mortgage contracts complete. Income from other services is recognised in the period or periods when the services are provided. Commission is recognised at fair value which takes account of expected future cancellations.

An analysis of turnover is not given as the directors consider it would be prejudicial to the group's interests.

2. Operating profit	2008	2007
	£	£
Operating profit is stated after charging/(crediting):		
Operating lease rentals		
- leasehold property	4,633,270	6,629,672
- motor vehicles	2,920,532	3,426,797
Auditors' remuneration		
- audit fees	15,300	11,000
- auditing of accounts of subsidiaries of the company pursuant to legislation	122,500	92,000
- other taxation services	20,000	30,000
- other services	21,000	54,100
Depreciation of tangible fixed assets		
- owned assets	2,855,847	2,973,668
- leased assets	43,747	-
Amortisation of intangible fixed assets	297,046	297,045
Provision for claims	(35,853)	827,305

3. Interest payable

Interest on bank loans and overdrafts	642,363	48,326
Interest on other loans	-	-
	<u>642,363</u>	<u>48,326</u>

4. Employees

The average number of employees, including directors employed by the company, during the year was:

	2008	2007
	Number	Number
Administration and management	508	592
Operational, including branch staff	1,148	1,369
	<u>1,656</u>	<u>1,961</u>
Staff costs, including directors:	£	£
Wages and salaries	37,312,495	55,245,547
Social security costs	4,587,942	6,163,932
Other pension costs (defined contribution schemes)	374,066	424,090
	<u>42,274,503</u>	<u>61,833,569</u>

SPICERHAART GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

5. Directors	2008 £	2007 £
Directors' emoluments	310,894	423,145
Pension contributions	34,430	30,000
	<u>345,324</u>	<u>453,145</u>

The highest paid director received emoluments of £193,710 (2007 - £353,763) and pension contributions of £30,000 (2007 - £30,000).

All directors are members of a defined contribution pension scheme.

6. Share-based payment transactions

During the year, the group participated in a share based payment arrangement known as the Spicerhaart Group Limited 2007 Enterprise Management Incentive Plan. On 8 February 2007, 113,142 options were issued over the ordinary shares of Spicerhaart Group Limited. The options vest between three and five years after date of grant, and the conditions for vesting are continuous service and the satisfaction of performance targets. The options must be exercised within ten years of the date of grant.

The estimated fair value of each share option granted is £9.77. The estimated fair value was calculated by applying a Black-Scholes option pricing model. The model inputs were:

Share price at date of grant £20
Exercise price of £20
Expected volatility of 50%
Risk free rate of 4.75%
Contractual life of 5 years

The group has estimated the number of options likely to vest and will expense that value over the relevant period. Vesting estimates take account of the group's staff retention rate. Volatility has been estimated by taking the historical volatility of a comparable company and adjusting where there are known factors that may affect future volatility.

Further details of the share option plan are as follows:

	2008 Number of options	2008 Weighted average exercise price	2007 Number of options	2007 Weighted average exercise price
Outstanding at start of year	100,853	20	-	-
Granted	-	-	113,142	20
Forfeited	22,180	20	12,289	20
Outstanding at end of year	78,673	20	100,853	20
Exercisable at end of year	-	-	-	-

The options outstanding at 31 December 2008 had an exercise price of £20 and a remaining contractual life of between 1 and 3 years.

	2008 £	2007 £
Expense arising from share based payment transactions	<u>200,667</u>	<u>257,271</u>

SPICERHAART GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008**

7. Taxation	2008	2007
	£	£
Analysis of change in period		
Current tax		
UK corporation tax on profits of the period	421,537	3,823,632
Adjustments in respect of previous periods	(645,239)	(118,747)
	<u>(223,702)</u>	<u>3,704,885</u>
Deferred tax		
Origination and reversal of timing differences	(35,504)	(64,513)
Tax on (loss)/profit on ordinary activities	<u>(259,206)</u>	<u>3,640,372</u>
Factors affecting the tax charge for the year:		
(Loss)/profit on ordinary activities before tax	<u>(3,911,064)</u>	<u>10,529,676</u>
(Loss)/profit multiplied by the standard rate of 28.5% (2007 – 30%)	<u>(1,114,563)</u>	<u>3,158,903</u>
Effects of:		
Depreciation ahead of capital allowances	352,852	263,697
Disallowed expenditure	390,140	401,032
Trading losses carried back	481,004	-
Adjustments in respect of previous periods	(645,239)	(118,747)
Trading losses carried forward	312,104	-
Current tax	<u>(223,702)</u>	<u>3,704,885</u>
8. Intangible fixed assets		Goodwill
		£
Cost		
At 1 January 2008		3,402,178
Additions		1,586,621
At 31 December 2008		<u>4,988,799</u>
Amortisation		
At 1 January 2008		666,546
Amortisation in the year		297,046
At 31 December 2008		<u>963,592</u>
Net book value		
At 31 December 2008		<u>4,025,207</u>
At 31 December 2007		<u>2,735,632</u>

SPICERHAART GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

9. Tangible fixed assets

Group	Freehold property £	Leasehold improvements £	Fixtures, fittings and office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2008	924,500	3,931,957	6,846,052	390,927	12,093,436
Additions	-	1,113,551	1,141,642	47,042	2,302,235
Disposals	-	(743,470)	(1,308,391)	(274,328)	(2,326,189)
At 31 December 2008	<u>924,500</u>	<u>4,302,038</u>	<u>6,679,303</u>	<u>163,641</u>	<u>12,069,482</u>
Depreciation					
At 1 January 2008	58,300	2,055,505	3,926,288	198,415	6,238,508
Provided during the year	9,108	982,162	1,844,287	64,037	2,899,594
Disposals	-	(641,310)	(1,138,568)	(171,352)	(1,951,230)
At 31 December 2008	<u>67,408</u>	<u>2,396,357</u>	<u>4,632,007</u>	<u>91,100</u>	<u>7,186,872</u>
Net book value					
At 31 December 2008	<u>857,092</u>	<u>1,905,681</u>	<u>2,047,296</u>	<u>72,541</u>	<u>4,882,610</u>
At 31 December 2007	<u>866,200</u>	<u>1,876,452</u>	<u>2,919,764</u>	<u>192,512</u>	<u>5,854,928</u>

10. Investment properties

**Freehold land and buildings
£**

Valuation

At 1 January 2008	201,000
Revaluation in year	(61,000)
At 31 December 2008	<u>150,000</u>

The historic cost of investment properties at the year end was £89,000 (2007 - £89,000). The properties were valued by Valuation Chartered Surveyors on 11 July 2009 with an effective valuation date of 31 December 2008. Corporation tax of approximately £nil (2007 - £14,000) would arise if the properties were sold at market valuation.

SPICERHAART GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008**

11. Fixed asset investments	£
Group	Other unlisted investments
	£
Additions and at 31 December 2008	<u>400,000</u>
Company	
Investment in subsidiaries at cost	
At 1 January 2008	1,512,515
Additions	29,669,314
Disposals	(6)
At 31 December 2008	<u>31,181,823</u>
Provision for diminution in value	
At 1 January 2008	1,454,718
Charge in year	7,470,477
At 31 December 2008	<u>8,925,195</u>
Net book value	
At 31 December 2008	<u>22,256,628</u>
At 31 December 2007	<u>57,797</u>

SPICERHAART GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

12. Investment in subsidiary companies

Subsidiary companies and their activities are as follows:

Trading Principal activity

Spicerhaart Limited	Estate agency
Mortgages Direct Limited	Financial services
Essex & Suffolk Development Company Limited	Property investment
Darlows Limited	Estate agency
H C Wolton & Son Limited	Surveying
Spicerhaart Professional Services Limited	Ancillary services
Spicerhaart Residential Lettings Limited	Property management services
HIPs.co.uk Limited	Provider of home information packs
Haybrook Limited	Estate agency
Valuation Limited	Surveying
Spicerhaart Estate Agents Limited	Estate Agency
Spicerhaart Group Services Limited	Provider of administrative services
Spicerhaart Property Services Limited	Property management
Spicerhaart Corporate Sales Limited	Estate agency
Indigo Limited (56% owned)	Estate agency
Mustbesold.com Limited	Estate agency

Non-trading

haart Limited
Spicer McColl (Estate Agents) Limited
Spicer McColl Property Management Company Limited
Felicity J Lord Limited
haart Agencies Limited
haart Real Estate Limited
Spicer Haart (Commercial) Limited
Spicer McColl Eastern Limited
haart International Real Estate Limited
Spicer McColl Limited
James Jardine Limited
Own Label Limited
Remortgage Direct Limited
Remortgages Direct Limited
Haybrook Holdings Limited
Felicity Investments Limited
Apollo Colchester Limited
Just Mortgages Direct Limited
haart property Market Limited
Indigo Property Market Limited
Spicerhaart Holdings Limited
Spicerhaart Financial Services Limited
Mustbesold Limited
Spicerhaart Network Services Limited
Valuation.com Limited
Alliance Mortgage Distribution Limited
Move Legal Services Limited
Mustbesold at Auction.com Limited
Valuation (Panel Management) Limited

All subsidiary companies are registered in England and are wholly owned, unless otherwise stated.

SPICERHAART GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008****12. Investment in subsidiary undertakings (continued)****Acquisition of subsidiary undertakings**

On 21 May 2008, 53.76% of the share capital of Indigo Limited was acquired for a cash consideration of £29. This acquisition has been accounted for by the acquisition method of accounting.

The loss after taxation of Indigo Limited included in the consolidated accounts is £1,335,103.

The table below explains the adjustments made to book values of the major categories of assets and liabilities acquired at arriving at fair values.

	Book value £	Accounting policy alignment £	Fair value adjustments £	Fair value at date of acquisition £
Fixed assets				
Tangible	18,602	-	-	18,602
Intangible	-	-	-	-
Total fixed assets	18,602	-	-	18,602
Current assets				
Debtors	62,732	-	-	62,732
Cash	109,021	-	-	109,021
Total current assets	171,753	-	-	171,753
Liabilities				
Trade creditors	21,928	-	-	21,928
Overdraft and loans	2,994,762	-	-	2,994,762
Other creditors	126,550	-	-	126,550
Total liabilities	3,143,240	-	-	3,143,240
Net liabilities	(2,952,885)	-	-	(2,952,885)

The company also acquired the entire ordinary share capital of Spicerhaart Group Services Limited, Spicerhaart Holdings Limited, Spicerhaart Property Services Limited and Spicerhaart Corporate Sales Limited for an initial nominal consideration during the year. At the time of acquisition, these companies were dormant. As part of a group reconstruction which took place on 19 November 2008, various group companies issued further share capital to Spicerhaart Group Limited in consideration for repayment of group debt and the transfer of business assets and goodwill to other companies.

SPICERHAART GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

13. Debtors	2008		2007	
	Group	Company	Group	Company
	£	£	£	£
Amounts due within one year				
Trade debtors	7,951,402	-	9,054,445	-
Amounts owed by group companies	-	6,544,252	-	14,277,937
Other debtors and accrued income	6,923,194	-	5,913,120	-
Deferred taxation (note 14)	941,295	-	905,791	-
	<u>15,815,891</u>	<u>6,544,252</u>	<u>15,873,356</u>	<u>14,277,937</u>
Amounts due after one year				
Amounts owed by group companies	-	1,490,038	-	-

14. Deferred taxation - group	2008	2007
	£	£
Capital allowances in arrears of depreciation	941,295	905,791
Asset at start of period	905,791	
Deferred tax credit in profit and loss account	35,504	
Asset at end of period	<u>941,295</u>	

The following deferred tax assets have not been recognised in the balance sheet, and would be recoverable in the event of sufficient future taxable profits.

	2008	2007
	£	£
Losses carried forward	306,629	-
Fixed asset timing differences	-	171,820
Potential deferred tax asset	<u>306,629</u>	<u>171,820</u>

SPICERHAART GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008**

15. Creditors: amounts falling due within one year	2008		2007	
	Group	Company	Group	Company
	£	£	£	£
Amounts owed to group companies	-	17,699,739	-	-
Trade creditors	1,571,846	-	1,532,432	-
Other taxation and social security	2,538,722	-	4,050,714	-
Other creditors and accruals	8,789,576	30,595	14,196,055	44,665
Bank loans	7,505,606	-	-	-
Corporation tax	191,466	-	1,958,494	-
	<u>20,597,216</u>	<u>17,730,334</u>	<u>21,737,695</u>	<u>44,665</u>

Included in accruals is a provision of £1,831,656 (2007 - £2,322,904) in relation to professional indemnity claims. This provision is based on the group's best estimate of the likely outcome.

Movements in this provision in the year were as follows:

	£
At 1 January 2008	2,322,904
Additional provisions made in the period	104,350
Amounts used in the period	(455,355)
Unused amounts reversed in the period	(140,203)
At 31 December 2008	<u>1,831,656</u>

Bank loans bear interest at 4.51% and are secured by way of guarantees from group companies.

16. Creditors: amounts falling due after more than one year	2008		2007	
	Group	Company	Group	Company
	£	£	£	£
Other loan	<u>3,066,806</u>	<u>-</u>	<u>-</u>	<u>-</u>

The other loan bears interest at 2% above LIBOR and is repayable between two and four years following the occurrence of certain events that had not occurred at the date of signing these financial statements. The principal amount of the loan together with interest thereon is convertible at the option of the lender into such number of ordinary shares of Indigo Limited, a group subsidiary, equal to 20% interest in that company. The conversion right is exercisable at any time up to four years and six months after the occurrence of certain events that had not occurred at the date of signing these financial statements.

The other loan is guaranteed by group companies.

SPICERHAART GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008**

17. Share capital – Group and Company	2008	2007
	£	£
Authorised		
Equity shares		
5,558 (2007 - 5,558) ordinary shares of £1 each	5,558	5,558
Non-equity shares		
100 (2007 - 100) non-participating deferred shares of £1 each	100	100
	<u>5,658</u>	<u>5,658</u>
Allotted and fully paid		
Equity shares		
3,930 (2007 - 4,366) ordinary shares of £1 each	3,930	4,366
Non-equity shares		
100 (2007 - 100) non-participating deferred shares of £1 each	100	100
	<u>4,030</u>	<u>4,466</u>

During the year the company purchased 436 of its own shares of £1 each for £1,500,000 cash from a shareholder.

18. Profit of parent company

As permitted by section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £3,351,097 (2007 –£417,302).

19. Reconciliation of movements in shareholders' funds	2008	2007
	£	£
Group		
Opening shareholders' funds	16,477,154	9,365,579
(Loss)/profit for the year	(3,034,506)	6,889,304
Revaluation in year	(51,000)	(25,000)
Credit in respect of employee share scheme charge	200,667	257,271
Cost associated with shares repurchased in prior year	-	(10,000)
Shares repurchased in year	(1,500,000)	-
Dividends paid	(714,102)	-
Closing shareholders' funds	<u>11,378,213</u>	<u>16,477,154</u>
Company		
Opening shareholders' funds	14,292,844	13,885,542
Profit for the financial year	3,351,097	417,302
Cost associated with shares repurchased in prior year	-	(10,000)
Share repurchased in year	(1,500,000)	-
Dividends paid	(714,102)	-
Closing shareholders' funds	<u>15,429,839</u>	<u>14,292,844</u>

SPICERHAART GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

20. Reserves

	Share premium £	Revaluation reserve £	Profit and loss account £	Merger reserve £	Capital redemption reserve £
Group					
At 1 January 2008	19,239,682	112,000	(2,928,896)	49,902	-
Loss for the year	-	-	(3,034,506)	-	-
Revaluation in year	-	(51,000)	-	-	-
Credit in respect of employee share scheme charge	-	-	200,667	-	-
Shares repurchased in year	-	-	(1,500,000)	-	436
Dividends paid	-	-	(714,102)	-	-
At 31 December 2008	<u>19,239,682</u>	<u>61,000</u>	<u>(7,976,837)</u>	<u>49,902</u>	<u>436</u>
			Share premium £	Profit and loss account £	Capital redemption reserve £
Company					
At 1 January 2008			19,289,582	(5,001,204)	-
Shares repurchased in year			-	(1,500,000)	436
Profit for the year			-	3,351,097	-
Dividends paid			-	(714,102)	-
At 31 December 2008			<u>19,289,582</u>	<u>(3,864,209)</u>	<u>436</u>

21. Financial commitments - group

The payments which the group is committed to make in the next year under operating leases are as follows:

	2008 Group £	2007 Group £
(i) Land and buildings, leases expiring		
- within one year	1,012,930	811,725
- two to five years	2,289,215	2,293,044
- beyond five years	1,839,655	2,328,635
	<u>5,141,800</u>	<u>5,433,404</u>
(ii) Motor vehicles, leases expiring		
- within one year	397,207	319,817
- two to five years	1,791,105	2,456,536
	<u>2,188,312</u>	<u>2,776,353</u>

SPICERHAART GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2008****22. Contingent liabilities**

The company has cross guarantees in place with other companies in the Spicerhaart Group Limited group of companies in respect of its banking arrangements. The company has guaranteed a loan to a subsidiary. At the year end, the loan amounted to £3,066,806 (2007 - £nil).

23. Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2008 Group £	2007 Group £
Operating (loss)/profit	(4,094,424)	9,990,530
Depreciation and amortisation	3,196,640	3,270,713
Employee share scheme charge	200,667	257,271
Decrease in debtors	155,701	1,133,689
(Decrease)/increase in creditors	(7,026,714)	4,910,681
Net cash (outflow)/inflow from operating activities	<u>(7,568,130)</u>	<u>19,562,884</u>

24. Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash	(5,364,172)	6,590,686
Cash inflow from increase in debt financing	(10,572,412)	4,793,750
(Decrease)/increase in net debt from cash flow	<u>(15,936,584)</u>	<u>11,384,436</u>
Net funds at 1 January 2008	13,149,933	1,765,497
Net debt at 31 December 2008	<u>(2,786,651)</u>	<u>13,149,933</u>

25. Analysis of changes in net debt

	At 1 January 2008 £	Cash flow £	At 31 December 2008 £
Cash at bank	13,149,933	(5,364,172)	7,785,761
Loans due within one year	-	(7,505,606)	(7,505,606)
Loans due after more than one year	-	(3,066,806)	(3,066,806)
Net debt	<u>13,149,933</u>	<u>(15,936,584)</u>	<u>(2,786,651)</u>

SPICERHAART GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

26. Events after the balance sheet date

After the year end, the group acquired a freehold property for £3.6 million.

27. Control

The company was under the control of P A Smith at the end of the year. He is also the ultimate controlling party.

28. Related party transactions

The company has taken advantage of the exemption provided by FRS 8 and has not disclosed transactions with group companies.
