Gladstone Securities Limited

Unaudited financial statements

For the year ended 30 June 2006

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Company No. 04562615

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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 30 June 2006.

Principal activities

The principal activity of the company during the period was property development and investment.

Financial instruments

Details of the company's financial risk management objectives and policies are included in note 11 to the accounts.

The directors and their interests in the shares of the company

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

	Ordinary Shares of £1 each	
	At 30 June 2006	**At 1 July 2005**
C J Chetwood	**25**	25
A P Mason	**25**	25
C I Mason	**25**	25
P Pearce	**25**	25

Small company provisions

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

BY ORDER OF THE BOARD

B D Harvey
Secretary
15 1 2007

Grant Thornton

Chartered accountants' report to the board of directors on the unaudited financial statements of Gladstone Securities Limited

In accordance with the engagement letter dated 25 June 2004, 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 30 June 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, statement of total recognised gains 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
22nd January 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.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the presentation requirements of Financial Reporting Standard 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'.

The adoption of FRS 25 has resulted in a change in accounting policy in respect of equity and non-equity share capital. Non-equity share capital will now be classified as 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 equity 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 classified 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.

The financial effect of this change in accounting policy is set out in note 12.

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

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

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 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.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoices amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process

Profit and loss account

	Note	2006 £	2005 Restated £
Turnover		**35,120**	22,227
Cost of sales		**1,260**	2,374
Gross profit		**33,860**	19,853
Other operating charges	1	**20,727**	18,487
Operating profit	2	**13,133**	1,366
Income from shares in related undertakings	3	**21,447**	221,785
Interest receivable		**2,875**	3,310
Interest payable and similar charges		**(24,267)**	(2,592)
Profit on ordinary activities before taxation		**13,188**	223,869
Tax on profit on ordinary activities		**–**	41,973
Profit for the financial year	14	**13,188**	181,896

All of the activities of the company are classed as continuing.

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	5	**908,560**	649,552
Current assets			
Debtors	6	**163,765**	17,670
Cash at bank	7	**8,084**	277,035
		171,849	294,705
Creditors: amounts falling due within one year	8	**248,174**	112,179
Net current (liabilities)/assets		**(76,325)**	182,526
Total assets less current liabilities		**832,235**	832,078
Creditors: amounts falling due after more than one year	9	**295,319**	308,350
		536,916	523,728
Capital and reserves			
Called-up equity share capital	13	**100**	100
Revaluation reserve		**243,432**	243,432
Profit and loss account	14	**293,384**	280,196
Shareholders' funds	15	**536,916**	523,728

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 have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on 18/1/07 and are signed on their behalf by:

A P Mason

Other primary statements

Statement of total recognised gains and losses

	2006	2005
	£	£
Profit for the financial year	**13,188**	181,896
Unrealised profit on revaluation of certain fixed assets	–	243,432
Total recognised gains and losses for the year	**13,188**	425,328
Prior year adjustment	–	(40,000)
Total gains and losses recognised since the last financial statements	**13,188**	385,328

Notes to the financial statements

1 Other operating charges

	2006	2005
	£	£
Administrative expenses	20,727	18,487

2 Operating profit

Operating profit is stated after charging:

	2006	2005
	£	£
Operating lease costs:		
Other	1,371	–

3 Income from shares in related undertakings

	2006	2005
	£	£
Share of profit in The Mary Street Consortium	21,447	221,785

4 Dividends

Dividends on shares classed as equity

	2006	2005
	£	£
Paid during the year:		
Equity dividends on ordinary shares	–	40,000

5 Tangible fixed assets

	Freehold Investment Property £
Cost or valuation	
At 1 July 2005	649,552
Additions	259,008
At 30 June 2006	908,560
Depreciation	
At 1 July 2005 and 30 June 2006	–
Net book value	
At 30 June 2006	**908,560**
At 30 June 2005	649,552

The investment properties have been revalued at 30 June 2006 by Andrew Mason, a director and qualified chartered surveyor on the basis of existing use, open market value.

6 Debtors

	2006 £	2005 £
Amounts owed by related undertakings	**7,811**	–
Called up share capital not paid	**100**	100
Other debtors	**155,854**	17,570
	163,765	17,670

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

	2006 £	2005 £
Other debtors	**148,998**	–

7 Cash at bank

	2006 £	2005 £
Bank deposit account	**–**	271,620
Cash at bank	**8,084**	–
Yorkshire Current A/c	**–**	5,415
	8,084	277,035

8 Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	**184,745**	13,854
Trade creditors	**21,429**	45,392
Amounts owed to related undertakings	–	10,933
Corporation tax	**42,000**	42,000
	248,174	112,179

9 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Bank loan	**295,319**	308,350

The bank loan is secured by a fixed and floating charge on the company's assets and a legal charge over the company's investment properties. The loan is repayable in instalments and bears interest at 1.4% above the bank's base rate.

10 Capital Commitments

Capital commitments at the year end amounted to £290,000 in respect of the purchase of sites at Workington (2005: Nil)

11 Financial risk management

The company holds or issues financial instruments in order to achieve three main objectives, being:

(a) to finance its operations;

(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and

(c) for operating purposes.

In addition, various financial instruments (eg trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Transactions in financial instruments result in the company assuming or transferring to another party one or more of the financial risks described below.

Interest rate risk

During the year the company had exposure to interest rate risk on normal banking commercial terms

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

12 Related party transactions

Mr AP and CI Mason, CJ Chetwood and P Pearce who are the directors of the company, are also directors of Mason & Partners Limited. They are also the partners in The Mary Street Consortium.

An amount of £849 is due from The Mary Street Consortium (2005: £10,933 due to The Mary Street Consortium).

The Mary Street Consortium made a profit in the year, of which £21,447 is attributable to the company (2005: £221,785).

13 Share capital

Authorised share capital:

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

Allotted and called up:

	2006 No	2006 £	2005 No	2005 £
Ordinary shares of £1 each	**100**	**100**	100	100

The amounts of paid up share capital for the following categories of shares differed from the called up share capital stated above due to unpaid calls and were as follows:

	2006	2005
	£	£
Ordinary shares	**100**	100

14 Profit and loss account

	2006	2005 Restated
	£	£
Balance brought forward	**280,196**	138,300
Profit for the financial year	**13,188**	181,896
Equity dividends paid	–	(40,000)
Balance carried forward	**293,384**	280,196

15 Reconciliation of movements in shareholders' funds

	2006	2005 Restated
	£	£
Profit for the financial year	**13,188**	181,896
Other net recognised gains and losses	–	243,432
Equity dividends paid	–	(40,000)
Net addition to shareholders' funds	**13,188**	385,328
Opening shareholders' funds	**523,728**	138,400
Closing shareholders' funds	**536,916**	523,728

16 Post balance sheet events

Subsequent to the year end the company has completed a transaction involving the purchase and disposal of a property and realised a net surplus of £320,000 before tax.