

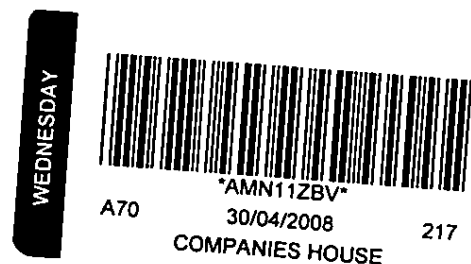


Grant Thornton

# Financial Statements Gladstone Securities Limited

---

For the year ended 30 June 2007



Company No. 04562615

## Company information

<b>Company registration number</b>	04562615
<b>Registered office</b>	The Corn Exchange Brunswick Street Liverpool Merseyside L2 7TP
<b>Directors</b>	C J Chetwood A P Mason C I Mason P Pearce
<b>Secretary</b>	B D Harvey
<b>Bankers</b>	Yorkshire Bank PLC 2 Moorfields Liverpool L2 2BS
<b>Solicitors</b>	Hill Dickinson LLP No 1 St Pauls Square Liverpool L3 9SJ
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Registered Auditors 1st Floor Royal Liver Building Liverpool L3 1PS

# Index

<b>Report of the directors</b>	3 - 4
<b>Report of the independent auditor</b>	5 - 6
<b>Principal accounting policies</b>	7 - 8
<b>Profit and loss account</b>	9
<b>Balance sheet</b>	10
<b>Other primary statements</b>	11
<b>Notes to the financial statements</b>	12 - 17

## Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 June 2007

### Principal activity

The principal activity of the company during the year was property investment and dealing.

### Results and dividends

The profit for the year, after taxation, amounted to £163,636. The directors have not recommended a dividend.

### Financial risk management objectives and policies

The company uses various financial instruments. These include loans, cash and various items, such as trade debtors and trade 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 interest rate risk and liquidity 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. Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in note 12 to the financial statements. In addition to these borrowings the company has access to undrawn committed borrowing facilities of an additional £2,241,162. Access to these facilities is expected to expire on 30th August 2008.

#### Interest rate risk

The company finances its operations through bank borrowings. The interest rate on the borrowing facilities is currently 1.6% above the bank's base rate. The risk of interest rate fluctuations is managed by the use of fixed and floating facilities.

### Directors

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

C J Chetwood  
A P Mason  
C I Mason  
P Pearce

### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

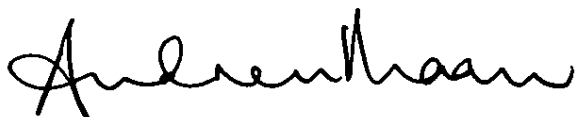
In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Auditor**

Grant Thornton UK LLP, who were appointed as auditors on 16 October 2007, offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



A P Mason  
Director  
28/4/08



## Report of the independent auditor to the members of Gladstone Securities Limited

We have audited the financial statements of Gladstone Securities Limited for the year ended 30 June 2007 which comprise the principal accounting policies, profit and loss account, balance sheet, statement of total recognised gains and losses and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditor**

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

# Report of the independent auditor to the members of Gladstone Securities Limited (continued)

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 the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

LIVERPOOL

29 April 2008

## 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 accounting policies of the company are set out below and remain unchanged from the prior year.

### **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 rent receivable by the company and commission for property dealing 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 property 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 on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by 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

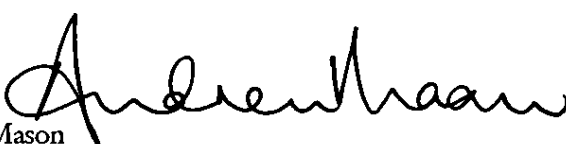
	Note	2007 £	2006 £
Turnover	1	644,829	35,120
Cost of sales		288,136	1,260
Gross profit		356,693	33,860
Other operating charges	2	46,666	20,727
Operating profit	3	310,027	13,133
Income from related undertaking	5	–	21,447
Interest receivable		229	2,875
Interest payable and similar charges	6	(78,916)	(24,267)
<b>Profit on ordinary activities before taxation</b>		<b>231,340</b>	<b>13,188</b>
Tax on profit on ordinary activities	7	67,704	–
<b>Profit for the financial year</b>	18	<b>163,636</b>	<b>13,188</b>

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

## Balance sheet

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8	<u>3,148,317</u>	<u>908,560</u>
<b>Current assets</b>			
Debtors due within one year	9	278,399	14,767
Debtors due after one year	9	148,998	148,998
Cash at bank		<u>349,268</u>	<u>8,084</u>
		776,665	171,849
<b>Creditors: amounts falling due within one year</b>	10	<u>845,889</u>	<u>248,174</u>
<b>Net current liabilities</b>		<u>(69,224)</u>	<u>(76,325)</u>
<b>Total assets less current liabilities</b>		<u>3,079,093</u>	<u>832,235</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>2,338,541</u>	<u>295,319</u>
		<u>740,552</u>	<u>536,916</u>
<b>Capital and reserves</b>			
Called-up equity share capital	16	100	100
Revaluation reserve	17	283,432	243,432
Profit and loss account	18	<u>457,020</u>	<u>293,384</u>
<b>Shareholders' funds</b>	19	<u>740,552</u>	<u>536,916</u>

These financial statements were approved by the directors and authorised for issue on 28/4/08, and are signed on their behalf by

  
A P Mason  
Director

## Other primary statements

### Statement of total recognised gains and losses

	2007 £	2006 £
Profit for the financial year	163,636	13,188
Unrealised profit on revaluation of certain fixed assets	40,000	–
Total gains and losses recognised for the year	<u>203,636</u>	<u>13,188</u>

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

## Notes to the financial statements

### 1 Turnover

The turnover and profit before tax are attributable to the principal activities of the company  
An analysis of turnover is given below

	2007 £	2006 £
United Kingdom	<u>644,829</u>	<u>35,120</u>

### 2 Other operating charges

	2007 £	2006 £
Administrative expenses	<u>46,666</u>	<u>20,727</u>

### 3 Operating profit

Operating profit is stated after charging

	2007 £	2006 £
Auditor's remuneration		
Audit fees	<u>4,500</u>	<u>—</u>

### 4 Directors and employees

No salaries or wages have been paid to employees, including the directors, during the year.

### 5 Income from shares in group undertakings

	2007 £	2006 £
Share of profit in the Mary Street Consortium	<u>—</u>	<u>21,447</u>

### 6 Interest payable and similar charges

	2007 £	2006 £
Interest payable on bank borrowing	75,395	24,267
Other similar charges payable	3,521	—
	<u>78,916</u>	<u>24,267</u>

**7 Taxation on ordinary activities**

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax		
UK Corporation tax based on the results for the year at 30% (2006 - 19%)	67,704	-
Total current tax	<u>67,704</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 19%)

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>231,340</u>	<u>13,188</u>
Profit on ordinary activities by rate of tax	69,402	2,506
Expenses not deductible for tax purposes	394	234
Utilisation of tax losses	(2,092)	(2,740)
Total current tax (note 7(a))	<u>67,704</u>	<u>-</u>

**8 Tangible fixed assets**

	Freehold investment property £	Asset under construction £	Total £
Cost or valuation			
At 1 July 2006	560,000	348,560	908,560
Additions	-	2,199,757	2,199,757
Revaluation	40,000	-	40,000
At 30 June 2007	<u>600,000</u>	<u>2,548,317</u>	<u>3,148,317</u>
Depreciation			
At 1 July 2006 and 30 June 2007	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 30 June 2007	<u>600,000</u>	<u>2,548,317</u>	<u>3,148,317</u>
At 30 June 2006	<u>560,000</u>	<u>348,560</u>	<u>908,560</u>

## 8 Tangible fixed assets continued

The freehold investment property has been revalued at 30 June 2007 by AP Mason, a director and qualified chartered surveyor on the basis of existing use, open market value. Deferred taxation, based on 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.

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 tangible fixed assets £
Cost	2,864,885
Net book amount at 30 June 2007	<u>2,864,885</u>
Net book amount at 30 June 2006	<u>665,129</u>

## 9 Debtors

	2007 £	2006 £
Amount owed by related undertaking	3,769	7,811
Other debtors	379,417	153,268
Called up share capital not paid	100	100
Prepayments and accrued income	44,111	2,586
	<u>427,397</u>	<u>163,765</u>

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

	2007 £	2006 £
Other debtors	<u>148,998</u>	<u>148,998</u>

## 10 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank loans and overdraft	15,616	184,745
Trade creditors	418,071	3,737
Amount owed to related undertaking	58,521	2,877
Corporation tax	67,704	42,000
Accruals and deferred income	285,977	14,815
	<u>845,889</u>	<u>248,174</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

**11 Creditors: amounts falling due after more than one year**

	2007 £	2006 £
Bank loans	<u>2,338,541</u>	<u>295,319</u>

The existing bank loan is secured by a fixed and floating charge on the company's assets and a legal charge over the company's freehold investment property. The loan is repayable in instalments commencing on June 2005 and bears interest at 1.4% above the bank's base rate.

A new loan taken out in the year is secured by personal guarantees amounting to £300,000 provided by directors of the company and a legal charge over the company's freehold investment property and asset under construction. The loan is repayable by a single payment on 30th August 2008 and bears interest at 1.6% above the bank's base rate.

On 20 March 2008 the company refinanced this loan facility which is now repayable in equal monthly instalments over a period of 15 years.

**12 Creditors - capital instruments**

Creditors include finance capital which is due for repayment as follows

	2007 £	2006 £
Amounts repayable:		
In one year or less or on demand	15,616	14,709
In more than one year but not more than two years	2,075,417	15,616
In more than five years	263,124	279,703
	<u>2,354,157</u>	<u>310,028</u>

**13 Capital Commitments**

Capital commitments at the year end amounted to £1,825,768 (2006: £nil)

**14 Contingent liabilities**

There is a contingent liability of £85,000 (2006: £73,000) in respect of Corporation Tax which would be payable if the company's investment property was sold at its revalued amount.



## 15 Related party transactions

Mr AP Mason, CI Mason, CJ Chetwood and P Pearce who are the directors of the company, are also directors of Mason & Partners Limited and the partners in The Mary Street Consortium. The Mary Street Consortium was dormant during the year, therefore no profit is attributable to the company (2006 £21,447) An amount of £nil is owed by The Mary Street Consortium at 30 June 2007 (2006 £849)

During the year the company has incurred accountancy fees of £5,500 (2006 £5,000), management fees of £1,645 (2006 £1,645) and property acquisition fees of £103,750 (2006 £nil) from Mason & Partners Limited. At 30 June 2007 the balance owed to Mason & Partners Limited for services rendered was £15,856 (2006 £2,938) which is included in accruals

At 30 June 2007 Mason & Partners Limited owed the company £3,769 (2006: £6,962) in their capacity as managing agents

During the year a loan was provided to the company from Mason & Partners Limited amounting to £55,000 and interest was payable on this loan of £3,521 Interest is charged at a rate of 2% above clearing bank base rate. At 30 June 2007 the balance owed to Mason & Partners Limited was £58,521

## 16 Share capital

Authorised share capital

	2007 £	2006 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted and called up:

	2007 No	£	2006 No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

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

	2007 £	2006 £
Ordinary shares	<u>100</u>	<u>100</u>

**17 Revaluation reserve**

	2007 £	2006 £
Balance brought forward	243,432	243,432
Revaluation of fixed assets	40,000	-
Balance carried forward	<u>283,432</u>	<u>243,432</u>

**18 Profit and loss account**

	2007 £	2006 £
Balance brought forward	293,384	280,196
Profit for the financial year	163,636	13,188
Balance carried forward	<u>457,020</u>	<u>293,384</u>

**19 Reconciliation of movements in shareholders' funds**

	2007 £	2006 £
Profit for the financial year	163,636	13,188
Other net recognised gains and losses	40,000	-
Net addition to shareholders' funds	<u>203,636</u>	<u>13,188</u>
Opening shareholders' funds	536,916	523,728
Closing shareholders' funds	<u>740,552</u>	<u>536,916</u>