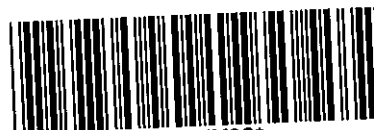


**SULLY DEVELOPMENT COMPANY
LIMITED**

Report and Financial Statements

31 March 2006

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REPORT AND FINANCIAL STATEMENTS 2006

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R A E Herbert, CBE
B C Herbert

SECRETARY

D G Metters

REGISTERED OFFICE

23a Gold Tops
Newport
South Wales
NP20 4UL

BANKERS

National Westminster Bank Plc

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cardiff

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

ACTIVITIES

The company's principal activity is property development.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results of the company for the financial year are set out in the profit and loss account on page 6 and its position at the year-end is shown in the balance sheet on page 7.

The directors are satisfied with the results of the company for the financial year and are optimistic regarding its future prospects.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2005 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company, who served throughout the financial year, are as set out on page 1.

The directors' interests in the shares of the company as defined by the Companies Act 1985 at the beginning and the end of the financial year are as follows:

	Ordinary shares of £1 each	
	At 31 March 2006 No.	At 1 April 2005 No.
R A E Herbert, CBE	50	50
B C Herbert	50	50

Mr B C Herbert's above interest is as beneficiary of the Trustees of Llanarth Estate which owns 50 £1 ordinary shares of the company.

DIRECTORS' REPORT (continued)

AUDITORS

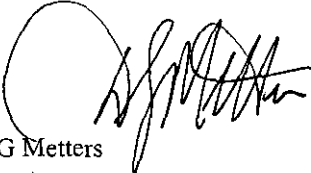
In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


D G Metters
Secretary

Date 21/12/06

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period. The financial statements should also comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed; and
- (d) 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SULLY DEVELOPMENT COMPANY LIMITED

We have audited the financial statements of Sully Development Company Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 9. 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 auditors' 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 auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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 United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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.

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 31 March 2006 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

Date *5 January* 2007.

SULLY DEVELOPMENT COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2006

	Note	2006 £	2005 £
Administrative expenses		<u>(3,610)</u>	<u>(8,975)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(3,610)	(8,975)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR	7	<u><u>(3,610)</u></u>	<u><u>(8,975)</u></u>

All activities derive from continuing operations.

There have been no recognised gains and losses for the current financial year or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of total recognised gains and losses is presented.

SULLY DEVELOPMENT COMPANY LIMITED

BALANCE SHEET

31 March 2006

	Note	2006 £	2005 £
CURRENT ASSETS			
Stocks	5	492,894	492,894
Debtors and prepayments		1,246	899
Cash at bank and in hand		16,262	10,244
		<u>510,402</u>	<u>504,037</u>
CREDITORS: amounts falling due within one year			
Director's loan account		139,950	134,950
Amounts due to related parties		390,355	385,355
Accruals		2,000	2,025
		<u>(532,305)</u>	<u>(522,330)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES, AND NET LIABILITIES		<u>(21,903)</u>	<u>(18,293)</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	6	100	100
Profit and loss account	7	<u>(22,003)</u>	<u>(18,393)</u>
TOTAL SHAREHOLDERS' DEFICIT	7	<u>(21,903)</u>	<u>(18,293)</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

21/12/06

R A E Herbert, CBE
Director



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the financial year and the prior financial year, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The company has taken advantage of the exemption under FRS1 (revised 1996) from preparing a cash flow statement, being a small company.

Stocks

Stocks are stated at the lower of cost and net realisable value and consist of property held for resale and development.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

The company has taken advantage of the exemption under FRS1 (revised 1996) from preparing a cash flow statement, being a wholly owned subsidiary undertaking of a company preparing consolidated financial statements which are publicly available.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company's only employees are its directors who received no remuneration during the financial year or the prior financial year.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £	2005 £
Loss on ordinary activities before taxation is after charging		
Auditors' remuneration	1,250	1,000

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	2006 £	2005 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 30% (2005 – 30%)	-	-
	<u>-</u>	<u>-</u>
The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:		
	£	£
Loss on ordinary activities before tax	(3,610)	(8,975)
	<u>(3,610)</u>	<u>(8,975)</u>
Tax on loss on ordinary activities before tax at 30% (2005 - 30%)	1,083	2,693
	<u>1,083</u>	<u>2,693</u>
Factors affecting charge for the year		
Tax losses	(1,083)	(2,693)
	<u>(1,083)</u>	<u>(2,693)</u>
Current tax charge for year	-	-
	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to trading losses carried forward, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £6,600. The asset would be recovered if the Company made trading profits from the same trade in future period.

5. STOCKS

Stocks consist of land and property.

6. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

7. COMBINED STATEMENT OF MOVEMENT IN SHAREHOLDERS' DEFICIT AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 April 2005	100	(18,393)	(18,293)
Loss attributable to members of the company	-	(3,610)	(3,610)
	<hr/>	<hr/>	<hr/>
At 31 March 2006	<u>100</u>	<u>(22,003)</u>	<u>(21,903)</u>

8. RELATED PARTY TRANSACTIONS

Name of related party	Director with a significant interest
Llanover Properties Limited	R A E Herbert, CBE and B C Herbert
Newbridge Construction Limited	R A E Herbert, CBE and B C Herbert
Trustees of Llanarth Estate	R A E Herbert, CBE and B C Herbert

Included within creditors are amounts of £264,950 (2005 - £259,950), £125,000 (2005 - £125,000) and £405 (2005 - £405) owed to the Trustees of Llanarth Estate, Llanover Properties Limited, and Newbridge Construction Limited respectively.

9. ULTIMATE CONTROLLING PARTY

The ultimate controlling parties are R A E Herbert, CBE and B C Herbert.