Bournston (South Street) Limited

Director's report and financial statements

Registered number 05967208

31 August 2009

Contents

Company information

Director	PM Kilmister
Company Secretary	CA Kilmister
Registered office	Ossington Chambers 6-8 Castle Gate Newark Nottinghamshire NG24 1AX
Company number	05967208
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Director's report

The director presents his report with the financial statements of the company for the year ended 31 August 2009

Principal activity

The principal activity of the company is that of property development

Review of business activities

The results for the year and financial position of the Company are as shown in the annexed financial statements

The development of student accommodation was completed in August 2008, with 100% occupancy being achieved for the academic year commencing September 2008 Due to the level of interest rates during the earlier part of the year the company made a loss for the year of £91,950 before tax

The director anticipates that results for the year ended 31 August 2010 will show a small loss, but the results for subsequent years are forecasted to be profitable The Company's loan facility is linked to three month LIBOR rates, and indications at current interest levels are that the Company should be capable of achieving profits in the region of £50,000 per annum

The director has prepared detailed long term cash-flow projections and is pleased to report that these show satisfactory income generation over the next year which should be sufficient to cover ongoing liabilities on the basis that the funding facilities recently reviewed will be suitably renewed during the course of the ensuing twelve months

The director has prepared the financial statements of the Company on a going concern basis Although the going concern basis has been adopted, there are some significant uncertainties that could cause the Company to be unable to continue as a going concern during the next twelve months from the date of signing these financial statements The uncertainties and the assumptions made to adopt the going concern basis are as follows

- The Company is part of the Bournston Estates Limited group ('the Group') Within the Group, another subsidiary of Bournston Estates Limited, Bournston (Ruston Way) Limited, went into liquidation on 18 August 2009 owing Her Majesty's Revenue & Customs ('HMRC') £3 1 million Bournston (Ruston Way) Limited does not have cash resources to pay HMRC the debt owing Bournston (Ruston Way) Limited is owed £3 0 million from its parent company, Bournston Estates Limited, which in turn was owed £3 6 million from the other subsidiaries within the group at that time Bournston (Ruston Way) Limited had previously been in discussion with HMRC and submitted a 'time to pay' proposal to HMRC in July 2009, offering to pay the outstanding amounts in full once sufficient income had been achieved from property sales HMRC rejected this proposal on the grounds that it did not provide a definitive timescale for payment The liquidators of Bournston (Ruston Way) Limited are currently in discussion with HMRC having received a proposal for settlement of the debt However, if a settlement is not reached then Bournston Estates Limited would be unable to repay its debt to Bournston (Ruston Way) Limited, which in turn could result in the liquidation of the parent company and assumption of control by secured lenders of the assets of the company and its group The director is optimistic that a settlement will ultimately be reached concerning the HMRC debt in Bournston (Ruston Way) Limited which in turn will resolve this uncertainty

- Having taken steps to significantly reduce the Group's operating costs the director expects that the properties within the Group will be able to generate sufficient rental income to cover interest costs and administrative overheads However, this will be dependent on the interest rates charged by the funding banks remaining at low levels as well as continuing satisfactory rental income continuing to be generated

Director's report *(continued)*

Review of business activities *(continued)*

- The director has been in regular discussions with the Group's bankers concerning the provision of ongoing lending facilities, which have been confirmed on each of the three development sites held in stock at 31 August 2009, including that held by this company The Group has renegotiated loan facilities with its bankers, which have been formally extended until November 2010 The Group's bankers have informally confirmed their expectation that these facilities will continue to be made available for the foreseeable future, although possibly at increased interest rate margins
- At the date of approval of these financial statements the Group had, with the informal agreement of its bankers, gone into overdraft by £125,000 Current cash forecasts for the Group prepared by the director indicate the requirement for an overdraft facility of just under £1 million and the director is currently in discussions with the Group's bankers concerning this overdraft requirement, and expects formal agreement within the next month

Dividends

No dividends will be distributed for the year ended 31 August 2009 *(2008 £nil)*

Directors

The directors who held office during the year under review and at the date of this report are

PM Kilmister
BS Smith-Hilliard - resigned 17 June 2009

Disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that, so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

PM Kilmister
Director

Dated 30 June 2010

Statement of director's responsibilities in respect of the director's report and the financial statements

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial period Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the director must not approve the financial statements unless he is satisfied that they 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006 He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report to the members of Bournston (South Street) Limited

We have audited the financial statements of Bournston (South Street) Limited for the year ended 31 August 2009 set out on pages 6 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 director and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern

At 31 August 2009 the Company had borrowings of £5 3 million which are due for repayment in November 2010 and the Bournston Estates group, of which the Company is a part, had an unauthorised overdraft

The Company also owes £0 9 million to its parent company A fellow subsidiary of Bournston Estates Limited went into liquidation in August 2009 and the liquidator is currently seeking to negotiate a settlement with HMRC in respect of an outstanding liability The ability of the Company to continue as a going concern is dependent upon both the successful refinancing of its borrowings by November 2010 and the Bournston Estates group obtaining an overdraft facility at the level forecast to be required and the liquidator negotiating a settlement with HMRC that does not require payment of the related party debt by its parent company

These matters, along with the other matters explained in note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

CN Parkin *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

30 June 2010

Profit and loss account

for the year ended 31 August 2009

	Note	2009 £	2008 £
Turnover	*2*	**519,401**	1,250
Cost of sales		**(165,395)**	-
Gross profit		**354,006**	1,250
Administrative expenses		**(120,067)**	(210,006)
Operating profit/(loss)		**233,939**	(208,756)
Interest payable and similar charges	*4*	**(325,889)**	-
Loss on ordinary activities before taxation	*5*	**(91,950)**	(208,756)
Tax on loss on ordinary activities	*6*	**-**	-
Loss on ordinary activities after taxation	*11*	**(91,950)**	(208,756)

In both the current year and preceding period the company made no material acquisitions and had no discontinued operations

There were no recognised gains or losses in either the current year or preceding period other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
as at 31 August 2009

	Note		2009		2008
		£	**£**	£	£
Current assets					
Stocks	*7*	**6,031,840**		6,021,087	
Debtors	*8*	**12,065**		-	
Cash at bank and in hand		**552**		-	
		6,044,457		6,021,087	
Creditors amounts falling due within one year	*9*	**(6,420,839)**		(6,305,519)	
Net current liabilities			**(376,382)**		(284,432)
Net liabilities			**(376,382)**		(284,432)
Capital and reserves					
Called up share capital	*10*		**1**		1
Profit and loss account	*11*		**(376,383)**		(284,433)
Shareholder's deficit	*12*		**(376,382)**		(284,432)

These financial statements were approved by the director on 30 June 2010

PM Kilmister
Director

Company number 05967208

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the company in its own published consolidated financial statements

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £376,382, which the director believes to be appropriate for the reasons set out below

The Company meets its day to day working capital requirements and medium term funding requirements through banking facilities and loans which are secured on a development property The nature of the Company's business is such that there can be significant variations in the timing of cash flows and the current economic environment has increased the uncertainty in these variations However, the director has prepared detailed cash flow information for the period ending twelve months from the date of approval of the financial statements These projections take into account this uncertainty to the extent which he considers reasonable, based on the information that is available to him at the time of approval of these financial statements and the assumptions explained below

At the date of approval of these financial statements the Bournston Estates group ("the Group"), of which the Company is a part, had with the informal agreement of its bankers gone into overdraft by £125,000 Current cash forecasts for the Group prepared by the director indicate the requirement for an overdraft facility of just under £1 million and the director is currently in discussions with the Group's bankers concerning this overdraft requirement, and expects formal agreement within the next month During the period in which formal agreement of the overdraft facility is pending the Group's bankers have informally confirmed that suitable facilities will be made available in order that the Group and the Company can trade in an orderly fashion and meet their liabilities as they fall due However there can be no certainty that this will be the case

The Company's banking facilities require the Company to produce audited financial statements within 180 days of the year end Due to the uncertainties described in the following paragraphs, the company did not comply with this covenant for the years ended 31 August 2008 and 31 August 2009 and therefore the facilities have been technically repayable upon demand since February 2009 There are no financial covenants in relation to these facilities The Company's bankers have continued to make the facilities available despite this technical breach and the director expects this to continue to be the case as discussed below However there can be no certainty that this will be the case

At 31 August 2009 the Company had loans totalling £5 3 million which, had there been no breach, would in any case have been repayable within 12 months of the date of approval of these financial statements The director has been in regular discussions with the Company's bankers concerning the provision of ongoing lending facilities, which have been formally extended until November 2010 on the development site held in stock at 31 August 2009 The Company's bankers have informally confirmed their expectation that these facilities will continue to be made available for the foreseeable future, although possibly at increased interest rate margins The availability of suitable facilities will be dependent on a number of factors including the financial performance, financial position, the economic environment and the level of borrowings the business will require and support in the context of the conditions of the current credit market, at the time of refinancing It is the opinion of the director that appropriate facilities will be available when they are required but there can be no certainty in relation to such matters

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

The Company has an inter-company balance owing to its parent company of £0 9 million A fellow subsidiary of Bournston Estates Limited, Bournston (Ruston Way) Limited, went into liquidation on 18 August 2009 owing Her Majesty's Revenue & Customs ('HMRC') £3 1 million Bournston (Ruston Way) Limited does not have cash resources to pay HMRC the debt owing Bournston (Ruston Way) Limited is owed £3 0 million from its parent company, Bournston Estates Limited, which in turn was owed £3 6 million from the other subsidiaries within the group at that time The director of Bournston (Ruston Way) Limited and Bournston Estates Limited had previously been in discussion with HMRC and submitted a 'time to pay' proposal to HMRC in July 2009, offering to pay the outstanding amounts in full once sufficient income had been achieved from property sales HMRC rejected this proposal on the grounds that it did not provide a definitive timescale for payment The liquidators of Bournston (Ruston Way) Limited are currently in discussion with HMRC having received a proposal for settlement of the debt However, if a settlement is not reached then, because the other subsidiaries within the group cannot readily realise their assets in order to pay the amounts owed to their parent company, Bournston Estates Limited would be unable to repay its debts to Bournston (Ruston Way) Limited which in turn could result in the liquidation of the parent company and assumption of control by secured lenders of the assets of Bournston Estates Limited and its group The director is optimistic that a settlement will ultimately be reached concerning the HMRC debt in Bournston (Ruston Way) Ltd which in turn will resolve this uncertainty

In summary, based on his discussions with the Company's bankers and the support of the liquidators of Bournston (Ruston Way) Limited for a settlement to be reached with HMRC, the director considers that the use of the going concern basis of preparation is appropriate However he recognises that the above matters are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and that the Company therefore may not be able to realise their assets and discharge its liabilities in the normal course of business These financial statements do not include any adjustments that reflect this possible outcome

Turnover

Turnover represents invoiced amounts in accordance with the principal activity Turnover is recognised on completion of contracts

Stocks

Stocks and work in progress, which includes the cost of property together with all other directly attributable costs, are stated at the lower of cost and net realisable value Costs of property purchased for development and resale includes the following

Cost of acquisition
Legal fees on acquisition
Planning fees and related costs
Costs of development
Professional fees relating to acquisition and development
Interest incurred during development and ending on the date of practical completion
Amortisation of loan arrangement fees incurred during development and ending on the date of practical completion

Net realisable value is based on actual or estimated sales proceeds less further costs expected to be incurred to completion

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19 Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Notes *(continued)*

1 Accounting policies *(continued)*

Related party transactions

The company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Bournston Estates Limited, within which the company is included, can be obtained from the address given in note 15

Classification of financial instruments issued by the company

Under FRS 25, financial instruments issued by the company are treated as equity (i e forming part of shareholder's funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholder's funds, are dealt with as appropriations in the reconciliation of movements in shareholder's funds

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

3 Directors' emoluments / staff numbers and cost

The directors received no remuneration from the company in the current year or preceding period The directors were remunerated by the company's parent company

The average number of employees of the company (including directors) during the year was two *(2008 two)* They received remuneration from the company's parent company

4 Interest payable and similar charges

	2009	2008
	£	£
Bank loan interest	**286,827**	-
Amortisation of loan arrangement fees	**39,062**	-
	325,889	-

Notes *(continued)*

5 Loss on ordinary activities before taxation

	2009	2008
	£	£
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration	**8,000**	4,000

6 Taxation

Analysis of charge in the year

	2009	2008
	£	£
Current tax		
UK corporation tax on income for the year	-	-
Tax charge on ordinary activities	-	-

Factors affecting the tax charge for the year

The current tax charge for the year is lower *(2008 lower)* than the standard rate of corporation tax in the UK of 28% *(2008 29 164%)* The differences are explained below

	2009	2008
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(91,950)**	(208,756)
Current tax at 28% *(2008 29 164%)*	**(25,746)**	(60,881)
Effect of		
Tax losses carried forward	**25,746**	60,881
Total current tax charge for the year	-	-

Deferred tax

A deferred tax asset of £84,198 *(2008 £58,452)* has not been recognised on the grounds that the director does not consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

7 Stocks

	2009	2008
	£	£
Work in progress	**6,031,840**	6,021,087

Included in stock at 31 August 2009 is £335,162 *(2008 £335,162)* relating to loan interest

The director does not consider the estimated replacement cost of stocks to be materially different to their carrying value

Notes *(continued)*

8 Debtors

	2009 £	2008 £
Trade debtors	**2,128**	-
Prepayments	**9,937**	-
	12,065	-

9 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans and overdraft	**5,300,000**	5,165,164
Trade creditors	**64,103**	224,198
Amount due to group undertakings	**859,736**	454,145
Accruals and deferred income	**197,000**	462,012
	6,420,839	6,305,519

Analysis of bank debt

	2009 £	2008 £
Bank debt can be analysed as falling due		
Within one year	**5,300,000**	5,165,164

The bank loan is secured by way of a first legal charge over the freehold property at South Street, Loughborough and assignment over the building contract relating to the development of student accommodation at South Street, Loughborough Interest is charged at 2 5% over the three month LIBOR rate

10 Share capital

	2009 £	2008 £
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid		
1 ordinary share of £1	**1**	1

11 Profit and loss account

	2009 £	2008 £
Opening balance	**(284,433)**	(75,677)
Loss for the year	**(91,950)**	(208,756)
Balance at 31 August	**(376,383)**	(284,433)

Notes *(continued)*

12 Reconciliation of movement in shareholder's deficit

	2009 £	2008 £
Loss for the year	**(91,950)**	(208,756)
Net change in shareholder's deficit	**(91,950)**	(208,756)
Opening shareholder's deficit	**(284,432)**	(75,676)
Closing shareholder's deficit	**(376,382)**	(284,432)

13 Contingent liabilities

The company had no contingent liabilities at 31 August 2009 *(2008 £nil)*

14 Capital commitments

The company had no capital commitments at 31 August 2009 *(2008 £nil)*

15 Ultimate parent company and controlling party

The immediate and ultimate parent company is Bournston Estates Limited, a company registered in England and Wales The largest and smallest group in which the results of the company are consolidated is Bournston Estates Limited The consolidated financial statements of Bournston Estates Limited may be obtained from Bournston Estates Limited, Ossington Chambers, 6-8 Castle Gate, Newark, Nottinghamshire, NG24 1AX

The company is controlled by its director who is the only shareholder of the ultimate parent company Bournston Estates Limited