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REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2007
FOR
STONEHURST ESTATES LIMITED

TUESDAY



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STONEHURST ESTATES LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7
Trading and Profit and Loss Account	15

STONEHURST ESTATES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST MARCH 2007

DIRECTORS	S A Briggs M A Briggs
SECRETARY	Mrs C J Briggs
REGISTERED OFFICE	23 Tavistock Street Covent Garden London WC2E 7NX
REGISTERED NUMBER	1070521 (England and Wales)
AUDITORS	Parkers Chartered Accountants and Registered Auditors 178-180 Church Road Hove, East Sussex BN3 2DJ
BANKERS	National Westminster Bank plc 208 Piccadilly London W1A 2DG Lloyds TSB Bank plc 83 High Street Sevenoaks Kent TN13 1LG

STONEHURST ESTATES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2007

The directors present their report with the financial statements of the company for the year ended 31st March 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property development

REVIEW OF BUSINESS

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

The Directors are pleased to report a profit for the year after taxation following the completion of the Stonehurst Estates (Hammersmith) development, with the profit remitted to the company as an intra-group dividend, and a profit on the sale of Manor Garden Villages (Temple Grove) Limited

DIVIDENDS

During the year the Company paid interim dividends of £96,000

DIRECTORS

The directors shown below have held office during the whole of the period from 1st April 2006 to the date of this report

S A Briggs

M A Briggs

The company is a wholly owned subsidiary of Stonehurst Group Limited and the interests of the directors are disclosed in the accounts of the parent company

STATEMENT OF 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

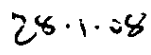
STONEHURST ESTATES LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2007

AUDITORS

The auditors, Parkers, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD


S A Briggs - Director

Date 

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
STONEHURST ESTATES LIMITED**

We have audited the financial statements of Stonehurst Estates Limited for the year ended 31st March 2007 on pages five to fourteen. 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

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 audit opinion

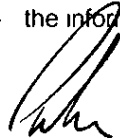
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

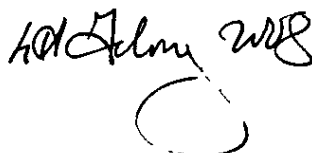
In our opinion:

- 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 31st March 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.



Parkers
Chartered Accountants and Registered Auditors
178-180 Church Road
Hove, East Sussex
BN3 2DJ

Date



STONEHURST ESTATES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2007

	Notes	2007 £	£	2006 £	£
TURNOVER			1,407,514		695,546
Cost of sales			1,059,607		430,011
GROSS PROFIT			347,907		265,535
Administrative expenses			239,928		198,231
			107,979		67,304
Other operating income			268,630		-
OPERATING PROFIT	3		376,609		67,304
Income from shares in group undertakings		340,622		-	
Interest receivable and similar income		58		4,594	
			340,680		4,594
			717,289		71,898
Interest payable and similar charges	4		724,713		550,339
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(7,424)		(478,441)
Tax on loss on ordinary activities	5		(125,525)		(134,359)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			118,101		(344,082)
PROFIT/(DEFICIT) FOR THE YEAR			118,101		(344,082)
Retained profit brought forward			494,141		934,223
			612,242		590,141
Dividends	6		(96,000)		(96,000)
RETAINED PROFIT CARRIED FORWARD			516,242		494,141

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year

The notes form part of these financial statements

STONEHURST ESTATES LIMITED

**BALANCE SHEET
31ST MARCH 2007**

	Notes	2007		2006	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		1		5,118
Tangible assets	8		15,003		21,164
Investments	9		1,601,866		1,601,865
			<u>1,616,870</u>		<u>1,628,147</u>
CURRENT ASSETS					
Stocks	10	9,361,506		7,129,939	
Debtors	11	2,885,595		3,677,973	
Cash at bank		7,220		16,881	
		<u>12,254,321</u>		<u>10,824,793</u>	
CREDITORS					
Amounts falling due within one year	12	11,898,616		10,502,466	
NET CURRENT ASSETS			<u>355,705</u>		<u>322,327</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,972,575</u>		<u>1,950,474</u>
CREDITORS					
Amounts falling due after more than one year	13		(1,200,000)		(1,200,000)
PROVISIONS FOR LIABILITIES	16		<u>(101,823)</u>		<u>(101,823)</u>
NET ASSETS			<u><u>670,752</u></u>		<u><u>648,651</u></u>
CAPITAL AND RESERVES					
Called up share capital	17		147,160		147,160
Share premium	18		7,350		7,350
Profit and loss account			516,242		494,141
SHAREHOLDERS' FUNDS	22		<u><u>670,752</u></u>		<u><u>648,651</u></u>

The financial statements were approved by the Board of Directors on
signed on its behalf by

28.1.08

and were

S A Briggs - Director

The notes form part of these financial statements

STONEHURST ESTATES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention

Turnover

Turnover comprises property sale proceeds, contract works and rents receivable, all excluding VAT

Goodwill

The Royal Adelphi Hotel Goodwill has been amortised over its useful economic life of 26 years to the end of the lease

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Hotel lease	- term of leases
Fixtures & fittings	- term of leases
Motor vehicles	- 25% on reducing balance

Developments in progress

Property developments in progress are valued at the lower of cost and net realisable value

Cost comprises the initial purchase price together with subsequent direct costs

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

2 STAFF COSTS

The average monthly number of employees during the year was as follows

	2007	2006
Directors	2	2
Property development	10	10
Administrative	1	1
	13	13

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2007	2006
	£	£
Depreciation - owned assets	11,760	16,297
Profit on disposal of fixed assets	(267,917)	-
Goodwill amortisation	5,117	6,827
Auditors' remuneration	5,400	5,000
Auditors' remuneration for non audit work	2,375	5,956
Other operating leases	206,713	240,000
	20,000	20,000
Directors' emoluments	20,000	20,000

STONEHURST ESTATES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2007**

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank interest	3,296	7,888
Short term bank property loan interest	550,528	374,574
Long term bank interest	-	2,074
Interest on other loans	170,889	165,803
	<u>724,713</u>	<u>550,339</u>

5 TAXATION

Analysis of the tax credit

The tax credit on the loss on ordinary activities for the year was as follows

	2007	2006
	£	£
Current tax		
Prior year tax	-	(34)
Prior year group relief	(23,000)	-
Total current tax	(23,000)	(34)
Deferred tax	(102,525)	(134,325)
Tax on loss on ordinary activities	<u>(125,525)</u>	<u>(134,359)</u>

6 DIVIDENDS

	2007	2006
	£	£
Ordinary shares of £1 each		
Interim	<u>96,000</u>	<u>96,000</u>

7 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1st April 2006 and 31st March 2007	<u>177,500</u>
AMORTISATION	
At 1st April 2006	172,382
Amortisation for year	5,117
At 31st March 2007	<u>177,499</u>
NET BOOK VALUE	
At 31st March 2007	<u>1</u>
At 31st March 2006	<u>5,118</u>

STONEHURST ESTATES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2007**

8 TANGIBLE FIXED ASSETS

	Hotel lease £	Fixtures & fittings £	Motor vehicles £	Totals £
COST				
At 1st April 2006	140,925	162,743	6,441	310,109
Additions	-	922	4,677	5,599
At 31st March 2007	140,925	163,665	11,118	315,708
DEPRECIATION				
At 1st April 2006	137,031	147,083	4,831	288,945
Charge for year	3,893	6,295	1,572	11,760
At 31st March 2007	140,924	153,378	6,403	300,705
NET BOOK VALUE				
At 31st March 2007	1	10,287	4,715	15,003
At 31st March 2006	3,894	15,660	1,610	21,164

9 FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Interest in associate undertakings £	Totals £
COST			
At 1st April 2006	1,594,365	7,500	1,601,865
Additions	3	-	3
Disposals	(2)	-	(2)
At 31st March 2007	1,594,366	7,500	1,601,866
NET BOOK VALUE			
At 31st March 2007	1,594,366	7,500	1,601,866
At 31st March 2006	1,594,365	7,500	1,601,865

The company's investments at the balance sheet date in the share capital of companies include the following

Subsidiaries

Capitalclimb Limited

Nature of business Property development

	% holding	2007 £	2006 £
Class of shares	100.00		
Ordinary			
Aggregate capital and reserves		(821,188)	(803,311)
Loss for the year		(17,877)	(5,909)

STONEHURST ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST MARCH 2007

9 FIXED ASSET INVESTMENTS - continued

Stonehurst Estates (Hammersmith) Limited

Nature of business Property development

	% holding	2007	2006
Class of shares		£	£
Ordinary	100 00		
Aggregate capital and reserves		-	75,098
Profit for the year		<u>265,524</u>	<u>68,562</u>

Stonehurst Estates (Hammersmith) Limited ceased trading on the 7th September 2006

Joseph Yates Limited

Nature of business Property development

	% holding	2007	2006
Class of shares		£	£
Ordinary	100 00		
Aggregate capital and reserves		1,541,473	1,572,594
Loss for the year		<u>(31,121)</u>	<u>(38,920)</u>

Stoneacre Construction Limited

Nature of business Construction contractor

	% holding	2007	2006
Class of shares		£	£
Ordinary	100 00		
Aggregate capital and reserves		(66,374)	(15,223)
Loss for the year		<u>(51,151)</u>	<u>(15,323)</u>

Prideprior Limited

Nature of business Property freeholder

	% holding	2007	2006
Class of shares		£	£
Ordinary (held by subsidiary)	63 20		
Aggregate capital and reserves		<u>(2,075)</u>	<u>(2,075)</u>

Temple Grove House Limited

Nature of business Property development

	% holding	2007
Class of shares		£
Ordinary	100 00	
Aggregate capital and reserves		(3,778)
Loss for the year		<u>(3,779)</u>

Temple Grove House Limited was incorporated on the 19th July 2006

STONEHURST ESTATES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2007**

9 FIXED ASSET INVESTMENTS - continued

Associated Company

Bond City Limited

Nature of business dormant

Class of shares

Ordinary

%
holding
50 00

	2007 £	2006 £
Aggregate capital and reserves	(19)	(19)

10 STOCKS

	2007 £	2006 £
UK property developments	9,098,351	6,223,808
Work-in-progress	263,155	906,131
	<u>9,361,506</u>	<u>7,129,939</u>

In the managing director's opinion the replacement cost of the UK properties is approximately £12.4 million

11 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade debtors	46,673	36,201
Amounts owed by group undertakings	2,426,038	3,298,143
Other debtors	-	69,000
Amounts owed by connected undertakings	107,146	60,581
VAT	68,888	79,723
Deferred tax asset	236,850	134,325
	<u>2,885,595</u>	<u>3,677,973</u>

12 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Bank loans and overdrafts (see note 14)	7,094,702	6,886,989
Payments on account	47,796	22,496
Trade creditors	159,722	228,095
Amounts owed to group undertakings	1,105,156	712,785
Tax	113,796	-
Social security and other taxes	4,492	11,752
Amounts owed to connected undertakings	3,259,629	2,569,325
Accruals and deferred income	113,323	71,024
	<u>11,898,616</u>	<u>10,502,466</u>

STONEHURST ESTATES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2007**

13 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	2006 £
Bank loans (see note 14)	<u>1,200,000</u>	<u>1,200,000</u>

14 LOANS

An analysis of the maturity of loans is given below

	2007 £	2006 £
Amounts falling due within one year or on demand		
Bank overdrafts	667,465	973,195
Hotel bank loan	-	10,426
Bank loans	<u>6,427,237</u>	<u>5,903,368</u>
	<u>7,094,702</u>	<u>6,886,989</u>

Amounts falling due in more than five years

Repayable by instalments		
Bank loan	<u>1,200,000</u>	<u>1,200,000</u>

15 SECURED DEBTS

The following secured debts are included within creditors

	2007 £	2006 £
Bank overdrafts	667,465	973,195
Bank loans	<u>7,627,237</u>	<u>7,113,794</u>
	<u>8,294,702</u>	<u>8,086,989</u>

The property bank loans are repayable from the associated property sale proceeds. The bank loans are secured on the property stocks, a fixed and floating charge over all current and future assets of the Company and a personal guarantee by S A Briggs

16 PROVISIONS FOR LIABILITIES

	2007 £	2006 £
Other provisions		
Provision for remediation cost	<u>101,823</u>	<u>101,823</u>

	Deferred tax £
Balance at 1st April 2006	(134,325)
Accelerated capital allowances	3,185
Tax losses	<u>(105,710)</u>
Balance at 31st March 2007	<u>(236,850)</u>

STONEHURST ESTATES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST MARCH 2007

17 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value £1	2007 £ <u>250,000</u>	2006 £ <u>250,000</u>
250,000	Ordinary			
Allotted, issued and fully paid Number	Class	Nominal value £1	2007 £ <u>147,160</u>	2006 £ <u>147,160</u>
147,160	Ordinary			

18 RESERVES

	Share premium £
At 1st April 2006	<u>7,350</u>
At 31st March 2007	<u>7,350</u>

19 ULTIMATE PARENT COMPANY

The ultimate parent company is Stonehurst Group Limited, a company registered in England and Wales, controlled by Mr S A Briggs

20 CONTINGENT LIABILITIES

There is a composite guarantee to the Royal Bank of Scotland plc in favour of Joseph Yates Ltd As at 31st March 2007 the loan balance was £2,182,681

There is also a composite guarantee to National Westminster Bank plc between the Company and Bayhurst Securities Ltd As at 31st March 2007 Bayhurst Securities Ltd had a loan balance of £328,956

The Company has also guaranteed £2,800,000 of the loan advanced to Capitalclimb Ltd by the National Westminster Bank plc

STONEHURST ESTATES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST MARCH 2007**

21 RELATED PARTY DISCLOSURES

	Debtor/ (creditor) at end of year £	(Sales to) purchases during year £	Debtor/ (creditor) at end last year £
S A Briggs			
- Unsecured advances	105,572	-	60,581
S A Briggs Partnership			
- Unsecured advances	(2,642,449)	-	(1,947,254)
- Interest payable	(51,000)	150,014	(51,000)
- Contract works		(1,500)	
Bayhurst Securities Ltd			
- Unsecured advances	(617,180)	-	(622,071)
- Interest payable		20,875	
(a company controlled by S A Briggs)			
Joseph Yates Ltd (subsidiary company)			
- Property purchase / intra-group funding	(1,100,396)	-	(712,785)
Capitalclimb Ltd (subsidiary company)			
- Development funding	1,539,410	(61,024)	1,483,019
Stoneacre Construction Limited (subsidiary company)			
- current account	(4,760)		-
Stonehurst Estates (Hammersmith) Ltd (subsidiary company)			
- Development funding (repaid September 2006)	-	-	1,815,124
Temple Grove House Ltd (subsidiary company)			
- Development funding	886,628	(623,677)	-
MAB Harts Properties Ltd			
- current account	1,574		-
- Hotel fee receivable		(12,000)	
- Hotel rent receivable		(206,713)	
(a company controlled by M A Briggs)			

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit/(Loss) for the financial year	118,101	(344,082)
Dividends	(96,000)	(96,000)
Net addition/(reduction) to shareholders' funds	22,101	(440,082)
Opening shareholders' funds	648,651	1,088,733
Closing shareholders' funds	670,752	648,651