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REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007
FOR
ESTATEWAYS PLC

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ESTATEWAYS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2007

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ESTATEWAYS PLC
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2007

DIRECTORS

D R Beechey F C A
J G Watkins B A DipLA(Hons)M L I
A P Oliver-Watkins B Sc
R G O Watkins
S L Hubner B Sc (Hons)

SECRETARY

R O Walters Tech, RICS,FNAEA

REGISTERED OFFICE:

Llys Tawe
King's Road
Swansea
SA1 8PG

REGISTERED NUMBER:

202450 (England and Wales)

AUDITORS:

John F Harvey
Chartered Accountants
Registered Auditors
5/6 De La Beche Street
Swansea
SA1 3HA

ESTATEWAYS PLC

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2007**

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

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of building, property development and investment. There has been no significant change in these activities during the year.

REVIEW OF BUSINESS

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

DEVELOPMENT, FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The company has had another satisfactory year.

The company continued to increase its annual turnover, despite rental voids arising on vacant properties either in the process of or awaiting redevelopment.

The increase in profit was primarily due to a reduction in the pension provision adjustment for the retired directors, and also a reduction in repair and maintenance costs, although the company continued to undertake extensive refurbishment and maintenance works in several of its properties during the year.

	2007 £	2006 £
Turnover	2,343,301	2,240,108
Profit / (Loss) before taxation	1,032,763	(227,851)
Taxation	(317,407)	44,921
Profit / (Loss) after taxation	715,356	(182,930)
Net assets / Shareholders funds	23,210,636	22,321,819

FINANCIAL KEY PERFORMANCE INDICATORS	2007	2006
Net profit margin (before tax)	44.1%	-8.2%
Return on capital employed (after tax)	3.1%	-0.8%
Earnings per share (per 10p ordinary share)	24.3p	-6.2p

These results for 2006 have been detrimentally affected by the Prior Year Adjustment as detailed in note 9 to the accounts.

FUTURE DEVELOPMENTS

The company continues to actively seek to further enhance its investment property portfolio.

The directors do not anticipate any significant changes in the company's operations during the coming year.

ESTATEWAYS PLC

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2007**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company uses various financial instruments including bank loans and overdrafts, cash, equity investments, and trade debtors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks which are described in more detail below.

The main risks arising from the company's financial instruments are cash flow interest rate risk, credit risk, and liquidity risk. The directors review and agree policies for managing each of these risks and these policies are also summarised below.

LIQUIDITY RISK

The company seeks to manage this financial risk by ensuring sufficient liquidity is available to meet the company's obligations as they fall due, and to invest any surplus cash both safely and profitably.

Short term flexibility is achieved by overdraft facilities, longer term borrowing by utilising bank loans.

INTEREST RATE RISK

The company finances its operations through a mixture of retained profits and bank borrowings. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

CREDIT RISK

The company's principal financial assets are cash and trade debtors. The principal credit risk arises from its trade debtors.

In order to manage credit risk the company's managing agents have been instructed by the directors to only accept tenants based upon a combination of payment history and third party references. The debt age and collection history is reviewed by the directors regularly.

DIVIDENDS

Interim dividends per share were paid as follows:

Ordinary 10p shares	5 8p	- 30 June 2007
	6 0p	- 31 December 2007
	<hr/>	
	11 8p	
	<hr/>	

4% Cumulative Preference £1 shares	2 0p	- 30 June 2007
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5% Cumulative Preference £1 shares	2 5p	- 30 June 2007
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The directors recommend final dividends per share as follows:

Ordinary 10p shares	NIL
4% Cumulative Preference £1 shares	2 0p
5% Cumulative Preference £1 shares	2 5p

The total distribution of dividends for the year ended 31 December 2007 will be £351,499.

ESTATEWAYS PLC

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 2007**

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2007 to the date of this report

D R Beechey F C A
J G Watkins B A DipLA(Hons)M L I
A P Oliver-Watkins B Sc
R G O Watkins
S L Hubner B Sc (Hons)

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company does not follow a specific code or standard on payment practice. It does however follow specific terms of settlement with each supplier as agreed between the parties involved.

FIXED ASSETS

Changes in fixed assets are shown at notes 11 & 12 to the accounts. The company's fixed asset properties and investment properties were revalued on 31st December 2007. Details are given in notes 11 & 12 to the accounts.

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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

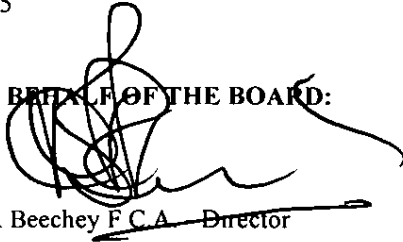
ESTATEWAYS PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2007

AUDITORS

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

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D R Beechey', written over a horizontal line.

D R Beechey F.C.A. Director

27 May 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ESTATEWAYS PLC

We have audited the financial statements of Estateways Plc for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. 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 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ESTATEWAYS PLC

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 December 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

John F Harvey
Chartered Accountants
Registered Auditors
5/6 De La Beche Street
Swansea
SA1 3HA

John F. Harvey Ltd.

30 May 2008

John F Harvey Limited

ESTATEWAYS PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

		2007		2006 as restated	
	Notes	£	£	£	£
TURNOVER	2		2,343,301		2,240,108
Cost of sales			990,185		1,881,734
GROSS PROFIT			1,353,116		358,374
Administrative expenses			226,695		178,784
			1,126,421		179,590
Other operating income			150		250
OPERATING PROFIT	4		1,126,571		179,840
Income from fixed asset investments		3,736		3,819	
Interest receivable and similar income	5	356		2,902	
			4,092		6,721
			1,130,663		186,561
Interest payable and similar charges	6	50,257		20,342	
Other finance costs	22	47,643		394,070	
			97,900		414,412
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			1,032,763		(227,851)
Tax on profit/(loss) on ordinary activities	7		317,407		(44,921)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			715,356		(182,930)

CONTINUING OPERATIONS

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

The notes form part of these financial statements

ESTATEWAYS PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006 as restated
	£	£
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	715,356	(182,930)
Unrealised surplus / (deficit) on revaluation of tangible fixed assets	142,913	5,000
Unrealised surplus / (deficit) on revaluation of fixed assets investments	290,529	431,678
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	1,148,798	253,748
		<hr/>
Prior year adjustment	Note 9	
	(279,997)	
	<hr/>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	868,801	
	<hr/>	

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material

The notes form part of these financial statements

ESTATEWAYS PLC**BALANCE SHEET**
31 DECEMBER 2007

		2007		2006 as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	11		987,874		874,175
Investments	12		24,901,273		23,972,406
			<u>25,889,147</u>		<u>24,846,581</u>
CURRENT ASSETS					
Stocks	13	46,442		48,599	
Debtors	14	1,171,206		1,019,498	
Cash at bank and in hand		13,766		25,883	
		<u>1,231,414</u>		<u>1,093,980</u>	
CREDITORS					
Amounts falling due within one year	15	1,280,607		1,215,420	
NET CURRENT LIABILITIES			<u>(49,193)</u>		<u>(121,440)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			25,839,954		24,725,141
CREDITORS					
Amounts falling due after more than one year	16		(603,563)		(183,934)
PROVISIONS FOR LIABILITIES	19		<u>(2,025,755)</u>		<u>(2,219,388)</u>
NET ASSETS			<u><u>23,210,636</u></u>		<u><u>22,321,819</u></u>

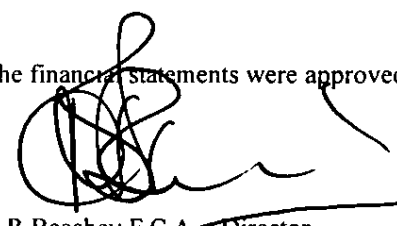
The notes form part of these financial statements

ESTATEWAYS PLC

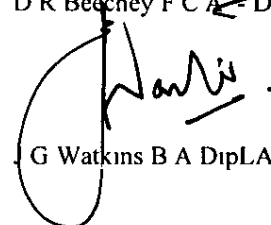
BALANCE SHEET - continued
31 DECEMBER 2007

		2007		2006	
				as restated	
	Notes	£	£	£	£
CAPITAL AND RESERVES					
Called up share capital	20		376,391		376,391
Revaluation reserve	21		894,054		754,971
Capital redemption reserve	21		13,082		13,082
Investment revaluation reserve	21		16,773,405		16,483,519
Profit and loss account	21		5,153,704		4,693,856
SHAREHOLDERS' FUNDS	25		23,210,636		22,321,819

The financial statements were approved by the Board of Directors on 27 May 2008 and were signed on its behalf by



D R Beechey F C A - Director



G Watkins B A DipLA(Hons)M L 1 - Director

The notes form part of these financial statements

ESTATEWAYS PLC

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

		2007		2006 as restated	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		925,853		28,586
Returns on investments and servicing of finance	2		(46,165)		(13,621)
Taxation	2		(215,426)		(215,688)
Capital expenditure and financial investment	2		(549,077)		(428,322)
Equity dividends paid			(351,499)		(327,904)
			(236,314)		(956,949)
Financing	2		391,476		300,000
Increase/(Decrease) in cash in the period			<u>155,162</u>		<u>(656,949)</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Increase/(Decrease) in cash in the period		155,162		(656,949)	
Cash inflow from increase in debt		<u>(391,476)</u>		<u>(300,000)</u>	
Change in net debt resulting from cash flows			<u>(236,314)</u>		<u>(956,949)</u>
Movement in net debt in the period			(236,314)		(956,949)
Net (debt)/funds at 1 January			<u>(913,634)</u>		<u>43,315</u>
Net debt at 31 December			<u><u>(1,149,948)</u></u>		<u><u>(913,634)</u></u>

The notes form part of these financial statements

ESTATEWAYS PLC

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006 as restated
	£	£
Operating profit	1,126,571	179,840
Depreciation charges	45,331	43,806
Profit on disposal of fixed assets	(13,860)	(34,234)
Retired directors pensions paid	(241,276)	(239,143)
Decrease in stocks	2,157	3,758
Decrease/(Increase) in debtors	7	(43,809)
Increase in creditors	6,923	118,368
Net cash inflow from operating activities	<u>925,853</u>	<u>28,586</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006 as restated
	£	£
Returns on investments and servicing of finance		
Interest received	356	2,902
Interest paid	(50,257)	(20,342)
Dividends received	3,736	3,819
Net cash outflow for returns on investments and servicing of finance	<u>(46,165)</u>	<u>(13,621)</u>
Taxation		
Taxation paid	(215,426)	(280,571)
Taxation refund	-	64,883
Net cash outflow for taxation	<u>(215,426)</u>	<u>(215,688)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,606)	-
Purchase of fixed asset investments	(639,471)	(528,322)
Sale of tangible fixed assets	92,000	-
Sale of fixed asset investments	-	100,000
Net cash outflow for capital expenditure and financial investment	<u>(549,077)</u>	<u>(428,322)</u>
Financing		
New loans in year	500,000	300,000
Loan repayments in year	(108,524)	-
Net cash inflow from financing	<u>391,476</u>	<u>300,000</u>

The notes form part of these financial statements

ESTATEWAYS PLC

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 1 07 £	Cash flow £	At 31 12 07 £
Net cash			
Cash at bank and in hand	25,883	(12,117)	13,766
Bank overdrafts	(639,517)	167,279	(472,238)
	<u>(613,634)</u>	<u>155,162</u>	<u>(458,472)</u>
Debt			
Debts falling due within one year	(116,066)	28,153	(87,913)
Debts falling due after one year	(183,934)	(419,629)	(603,563)
	<u>(300,000)</u>	<u>(391,476)</u>	<u>(691,476)</u>
Total	<u>(913,634)</u>	<u>(236,314)</u>	<u>(1,149,948)</u>

The notes form part of these financial statements

ESTATEWAYS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards

They have been prepared in accordance with all applicable accounting standards. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated

Turnover

Turnover represents repairs and maintenance work, disposal of properties, and rents receivable, and excludes VAT where applicable

Tangible fixed assets

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

Land and Buildings	- in accordance with the property
Plant, Machinery and Vehicles	- 25% on cost and 15% on cost

Land and buildings, excluding investment properties, are revalued annually with any surplus or deficit transferred to a Revaluation Reserve. Upon disposal of such a property, any revaluation adjustment previously taken to the Revaluation Reserve is transferred to the Revenue Reserve. The gain or loss included in the Profit and Loss Account is the difference between the net realisation and the carrying value. These properties are depreciated annually over the remainder of their useful economic lives. An amount equal to the depreciation relating to an earlier revaluation is transferred from the Revaluation Reserve to the Revenue Reserve each year.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Deferred tax

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

Dividends

Details of dividends paid in the year are given in note 8 to the accounts

Fixed asset investments

It is considered that all the land and buildings under this heading are "investment properties" within the terms of Statement of Standard Accounting Practice No 19 ('Accounting for Investment Properties'). In accordance with S S A P 19, (I) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (II) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty years to run. Leasehold investment properties with twenty years or less to expiry are amortised over the remaining term of the lease. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one amongst many factors reflected in the annual valuation of properties, and accordingly the amount of depreciation which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view. On disposal of an investment property, any revaluation adjustment previously taken to Revaluation Reserve is transferred to the Revenue Reserve. The gain or loss included in the Profit and Loss Account is the difference between net realisation and carrying value. Where leasehold investment properties are depreciated, an amount equal to that relating to an earlier revaluation is transferred from the Revaluation Reserve to the Revenue Reserve each year.

ESTATEWAYS PLC

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

1 ACCOUNTING POLICIES - continued

Pensions

The company policy is to make full provision for this liability as detailed in Notes 19 and 22

2 TURNOVER

	Turnover		Profit on Ordinary Activities before Taxation	
	2007	2006	2007	2006
	£	£	£	£
Repair and maintenance work, disposal of properties and ground rents	286,334	252,840	126,196	(25,717)
Rents receivable	2,056,967	1,987,268	906,567	(202,134)
	<u>2,343,301</u>	<u>2,240,108</u>	<u>1,032,763</u>	<u>(227,851)</u>

3 STAFF COSTS

	2007	2006 as restated
	£	£
Wages and salaries	168,182	159,690
Social security costs	7,019	5,570
	<u>175,201</u>	<u>165,260</u>

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

	2007	2006 as restated
Management and Administration	8	8
Repairs and Maintenance	5	5
	<u>13</u>	<u>13</u>

ESTATEWAYS PLC

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

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2007	2006 as restated
	£	£
Depreciation - owned assets	28,604	28,212
Profit on disposal of fixed assets	(13,860)	(34,234)
Auditors remuneration	9,400	9,744
Amortisation - leased assets	16,727	15,594
Exceptional Item - Increase in provision for retired directors pensions (note 19)	47,643	394,070
Non audit services	17,243	13,093
	<u>80,964</u>	<u>68,686</u>
Directors' emoluments	<u>80,964</u>	<u>68,686</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007	2006 as restated
	£	£
Bank interest receivable	59	581
Building society interest receivable	153	2,321
Interest received on early paid corporation tax	144	-
	<u>356</u>	<u>2,902</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006 as restated
	£	£
Overdraft interest	21,911	20,165
Bank loan interest	27,791	-
Other interest payable	555	177
	<u>50,257</u>	<u>20,342</u>

ESTATEWAYS PLC

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

7 TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows

	2007	2006 as restated
	£	£
Current tax		
UK corporation tax	253,696	-
Deferred tax		
Origination and reversal of timing differences	63,711	(44,921)
Tax on profit/(loss) on ordinary activities	<u>317,407</u>	<u>(44,921)</u>

UK corporation tax has been charged at 30% (2006 - 30%)

Factors affecting the tax charge/(credit)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2007	2006 as restated
	£	£
Profit/(loss) on ordinary activities before tax	<u>1,032,763</u>	<u>(227,851)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 - 30%)	309,829	(68,355)
Effects of		
Chargeable gain	14,213	18,470
Capital allowances claimed	(6,987)	(4,251)
Disallowed expenditure and non taxable income	14,332	14,388
Pensions paid in year	(72,383)	(71,743)
Exceptional item - Increase in provision for retired directors pensions	14,293	118,221
Exceptional item - profit on disposal of fixed asset investment	-	(10,500)
Small companies marginal relief	(15,443)	-
Loss for year carried forward	-	3,770
Exceptional item - profit on disposal of other freehold prop	<u>(4,158)</u>	<u>-</u>
Current tax charge/(credit)	<u>253,696</u>	<u>-</u>

ESTATEWAYS PLC

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

8 DIVIDENDS

	2007	2006 as restated
	£	£
Ordinary shares of 10p each		
Interim	348,021	324,426
4% Cumulative Preference shares of £1 each		
Final	1,189	1,189
Interim	1,189	1,189
5% Cumulative Preference shares of £1 each		
Final	550	550
Interim	550	550
	<u>351,499</u>	<u>327,904</u>

ESTATEWAYS PLC

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

9 PRIOR YEAR ADJUSTMENT

Correction of a fundamental error

The company has been refurbishing one of its commercial properties during the period from January 2005 to October 2007. Expenditure on this property was previously treated as being capital in nature, with the intention to obtain an expert opinion as to the correct nature of the works undertaken once the works were completed. This opinion has now been obtained, and the works undertaken are considered to have been repairs which ought to have been charged to the Profit and Loss Account each year. Under Financial Reporting Standard 3 this is considered to be a fundamental error.

A prior year adjustment has been made in 2007 and the previously reported figures for 2006 have been restated on the new basis so as to ensure they are comparable to the current year. To a large extent the adjustment to the property valuation of £993,475 noted below reduces the effect upon the Balance Sheet.

The prior year adjustments disclosed in the profit and loss account are made up as follows:

	2007 £	2006 £
Additional repairs and maintenance included in cost of sales	-	(796,313)
Decrease in tax	-	215,114
	<hr/>	<hr/>
Net decrease in retained profit for the financial year	-	(581,199)
	<hr/>	<hr/>

The effect of these prior year adjustments upon the company's results are as follows:

	2007 £	2006 £
Net decrease in retained profit for the financial year	-	(581,199)
Net decrease in retained profit brought forward from prior period	-	(132,279)
Increase in revaluation of fixed asset investments	-	993,475
	<hr/>	<hr/>
Prior Year Adjustment Reported	-	279,997
	<hr/>	<hr/>

The effect of the above adjustments upon the taxation charges are as follows:

	2007 £	2006 £
Corporation tax payable as originally stated	-	215,114
Decrease in corporation tax payable	-	(215,114)
	<hr/>	<hr/>
Corporation tax payable as restated	-	-
	<hr/>	<hr/>

ESTATEWAYS PLC

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

10 AUDITORS REMUNERATION

	31 12 07 £	31 12 06 £
Fees payable to the company's auditor for the audit of the company's annual accounts	9,400	9,744
Fees payable to the company's auditor for other services		
Tax services	1,733	1,498
All other services	15,510	11,595
	17,243	13,093

11 TANGIBLE FIXED ASSETS

	Land and Buildings £	Plant, Machinery and Vehicles £	Totals £
COST OR VALUATION			
At 1 January 2007	890,000	40,216	930,216
Additions	-	1,606	1,606
Disposals	(80,000)	-	(80,000)
Revaluations	200,000	-	200,000
At 31 December 2007	1,010,000	41,822	1,051,822
DEPRECIATION			
At 1 January 2007	20,698	35,343	56,041
Charge for year	24,047	4,557	28,604
Eliminated on disposal	(1,860)	-	(1,860)
Revaluation adjustments	(18,837)	-	(18,837)
At 31 December 2007	24,048	39,900	63,948
NET BOOK VALUE			
At 31 December 2007	985,952	1,922	987,874
At 31 December 2006	869,302	4,873	874,175

Land and buildings comprises Freehold Property valued on 31 December 2007 on an open market basis. The properties were valued by Dawsons, Chartered Surveyors at £1,010,000 on the basis recorded in Note 12. The figures reported represent the aggregate value of the properties valued on an individual basis.

ESTATEWAYS PLC

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

11 TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 December 2007 is represented by

	Land and Buildings £	Plant, Machinery and Vehicles £	Totals £
Valuation in 2007	915,860	-	915,860
Cost	94,140	41,822	135,962
	<u>1,010,000</u>	<u>41,822</u>	<u>1,051,822</u>

If Freehold Land and Buildings had not been revalued they would have been included at the following historical cost

	2007 £	2006 as restated £
Cost	94,140	117,053
Aggregate depreciation	<u>(2,241)</u>	<u>(2,722)</u>

12 FIXED ASSET INVESTMENTS

	Unlisted investments £
COST OR VALUATION	
At 1 January 2007	23,988,000
Additions	639,471
Revaluations	290,529
At 31 December 2007	<u>24,918,000</u>
PROVISIONS	
At 1 January 2007	15,594
Provision for year	16,727
Revaluation adjustments	(15,594)
At 31 December 2007	<u>16,727</u>
NET BOOK VALUE	
At 31 December 2007	<u>24,901,273</u>
At 31 December 2006	<u>23,972,406</u>

ESTATEWAYS PLC

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

12 FIXED ASSET INVESTMENTS - continued

Cost or valuation at 31 December 2007 is represented by

	Unlisted investments
	£
Valuation in 2007	16,782,895
Cost	8,135,105
	<hr/>
	24,918,000
	<hr/>

If the Investment Properties had not been revalued they would have been included at the following historical cost

	2007	2006 as restated
	£	£
Cost	8,135,105	7,495,635
	<hr/>	<hr/>
Aggregate provisions	7,237	6,747
	<hr/>	<hr/>

The London Property was valued on an open market basis on 31 December 2007 by the directors

The portfolio of UK freehold and leasehold interests categorised as "Investment Properties" , excluding the London property, were valued by external valuers, Dawsons, Chartered Surveyors, as at 31 December 2007, on the basis of market value and in accordance with the RICS Appraisal and Valuation Standards and the instructions of the directors

The figures reported represent the aggregate value of the properties valued on an individual basis

Dawsons have undertaken this valuation for inclusion in the company's balance sheet. The directors have considered whether a conflict of interest arises as the company also acts as managing agent for the company's portfolio of residential and commercial properties

For the purposes of the valuation, the valuers have relied upon information available to them by virtue of its management of the properties in accordance with the terms of the management agreement. The directors of Estateways Plc have been requested to disclose any material matters to which the valuers may be unaware

13 STOCKS

	2007	2006 as restated
	£	£
Ground rents	46,442	48,599
	<hr/>	<hr/>

The replacement value of the ground rents is considered to be in the order of £250,000

ESTATEWAYS PLC

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

14 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006 as restated
	£	£
Trade debtors	439,524	451,067
Other debtors	4,207	4,457
Taxation	279,997	64,571
VAT	8,330	1,942
Deferred tax asset	417,476	481,187
Prepayments	21,672	16,274
	<u>1,171,206</u>	<u>1,019,498</u>

Deferred tax asset

	2007	2006 as restated
	£	£
Deferred tax on accelerated capital allowances	(190,250)	(184,629)
Deferred tax on future pension obligations	607,726	665,816
	<u>417,476</u>	<u>481,187</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006 as restated
	£	£
Bank loans and overdrafts (see note 17)	560,151	755,583
Taxation	253,696	-
Social security and other taxes	11,601	10,984
Other creditors	49,085	37,750
Accrued expenses	37,031	68,023
Deferred income	369,043	343,080
	<u>1,280,607</u>	<u>1,215,420</u>

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007	2006 as restated
	£	£
Bank loans (see note 17)	<u>603,563</u>	<u>183,934</u>

The bank loan is repayable by monthly instalments

The bank loan is at an interest rate of 1 5% over the bank's base rate At 31st December 2007 this equated to a rate of 7%

ESTATEWAYS PLC

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

17 LOANS

An analysis of the maturity of loans is given below

	2007	2006 as restated
	£	£
Amounts falling due within one year or on demand		
Bank overdrafts	472,238	639,517
Bank loans	87,913	116,066
	<u>560,151</u>	<u>755,583</u>
 Amounts falling due between one and two years		
Bank loans - 1-2 years	<u>94,067</u>	<u>123,900</u>
 Amounts falling due between two and five years		
Bank loans - 2-5 years	<u>323,584</u>	<u>60,034</u>
 Amounts falling due in more than five years		
Repayable by instalments		
Bank loan 1	<u>185,912</u>	<u>-</u>

18 SECURED DEBTS

The following secured debts are included within creditors

	2007	2006 as restated
	£	£
Bank overdrafts	472,238	639,517
Bank loans	691,476	300,000
	<u>1,163,714</u>	<u>939,517</u>

The bank loan and overdrafts are secured on three of the company's properties

19 PROVISIONS FOR LIABILITIES

	2007	2006 as restated
	£	£
Other provisions		
Future pension obligations	<u>2,025,755</u>	<u>2,219,388</u>

ESTATEWAYS PLC

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

19 PROVISIONS FOR LIABILITIES - continued

	Deferred tax £	Future Pensions £
Balance at 1 January 2007	(481,187)	2,219,388
Accelerated capital allowances	5,621	-
Pensions paid in year	72,383	(241,276)
Pension provision adjustment	(14,293)	47,643
	<hr/>	<hr/>
Balance at 31 December 2007	<u>(417,476)</u>	<u>2,025,755</u>

The main assumptions underlying the calculation of the provision for pensions are

- Annual pension increases will be 5%
- Investment performance will be 3.266 % based upon the return on equity capital employed in the previous three years
- Annual RPI increase will be 3%

20 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value	2007 £	2006 as restated £
9,180,000	Ordinary	10p	918,000	918,000
60,000	4% Cumulative Preference	£1	60,000	60,000
22,000	5% Cumulative Preference	£1	22,000	22,000
			<hr/>	<hr/>
			<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid Number	Class	Nominal value	2007 £	2006 as restated £
2,949,330	Ordinary	10p	294,933	294,933
59,460	4% Cumulative Preference	£1	59,460	59,460
21,998	5% Cumulative Preference	£1	21,998	21,998
			<hr/>	<hr/>
			<u>376,391</u>	<u>376,391</u>

ESTATEWAYS PLC

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

20 CALLED UP SHARE CAPITAL - continued

The two classes of preference shares carry dividends of 4% and 5% respectively, payable half yearly in arrears on 30th June and 31st December. The dividend rights are cumulative.

The preference shares carry no votes at meetings unless the dividends thereon are twelve months or more in arrears or the business of the meeting shall include the passing of an Extraordinary Resolution, or a Special Resolution the provisions of which are such as to vary the preferential right of the registered holders of the preference shares.

On a winding up of the company the preference shareholders have a right to receive, in preference to ordinary shareholders, £1 per share plus any accrued dividends.

21 RESERVES

	Profit and loss account £	Revaluation reserve £	Capital redemption reserve £	Investment revaluation reserve £	Totals £
At 1 January 2007	4,973,853	754,971	13,082	16,483,519	22,225,425
Prior year adjustment	(279,997)				(279,997)
	4,693,856				21,945,428
Profit for the year	715,356				715,356
Dividends	(351,499)				(351,499)
Revaluations in year	-	200,000	-	290,529	490,529
Depreciation and amortisation eliminated on revaluation	7,608	17,976	-	8,847	34,431
Depreciation and amortisation on revaluations in year	31,296	(21,806)	-	(9,490)	-
Prior revaluations eliminated upon disposal of property	57,087	(57,087)	-	-	-
At 31 December 2007	5,153,704	894,054	13,082	16,773,405	22,834,245

No provision is made for taxation upon the transfers to and from the Revaluation Reserve or the Investment Revaluation Reserve, since gains or losses are only recognised for taxation purposes upon the disposal of the revalued assets.

22 PENSION COMMITMENTS

During the year the company paid defined benefit pensions to five former directors. There are no further commitments accruing to the existing directors.

Provision has been made in the Balance Sheet for this commitment, based upon actuarial calculations. As at 31 December 2007 the provision required was £2,025,755 (£2,219,388 as at 31 December 2006).

After allowing for the pensions paid by the company during the year an increase in the provision of £47,643 was required for 2007, (£394,070 increase in 2006). These adjustments are reflected as other finance costs in the Profit and Loss Account. The provision movements and their tax effect are detailed further in Note 19 to the accounts.

ESTATEWAYS PLC

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

23 CAPITAL COMMITMENTS

	2007	2006 as restated
	£	£
Contracted but not provided for in the financial statements	<u>108,510</u>	<u>-</u>

24 TRANSACTIONS WITH DIRECTORS

Transactions

There were no transactions with directors that required disclosure

Control

The company is under the joint control of its directors

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006 as restated
	£	£
Profit/(Loss) for the financial year	715,356	(182,930)
Dividends	(351,499)	(327,904)
	<u>363,857</u>	<u>(510,834)</u>
Other recognised gains and losses relating to the year (net)	433,442	436,678
Depreciation eliminated on revaluation	34,431	26,201
Revaluation released on property sold	57,087	-
	<u>888,817</u>	<u>(47,955)</u>
Net addition/(reduction) to shareholders' funds		
Opening shareholders' funds (originally £22,601,816 before prior year adjustment of £(279,997))	22,321,819	22,369,774
	<u>23,210,636</u>	<u>22,321,819</u>
Closing shareholders' funds		

26 OVERSEAS SUBSIDIARY

The company has a French subsidiary, Estateways-Houlgate, which is a non trading nominee company which was used solely as an administrative device for the holding of a French property sold during 2002

The company holds 98% of the share capital of Estateways-Houlgate with the other 2% held by a nominee on behalf of the company

The company is exempt from preparing group accounts under S 248 of the Companies Act 1985 as the group is a small group and also the subsidiary is immaterial