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**Jack Lunn (Holdings) Limited**

Report and Financial Statements

Year Ended

30 September 2006

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**Jack Lunn (Holdings) Limited**

**Annual report and financial statements for the year ended 30 September 2006**

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**Company Information**

|                          |  |
|--------------------------|--|
| <b>Directors</b>         | H Lunn<br>R Lunn<br>G Lunn<br>R Farrar<br>A Lunn                                     |
| <b>Secretary</b>         | P McAteer ACA  |
| <b>Registered Office</b> | Progress House<br>99 Bradford Road<br>Pudsey<br>Leeds<br>West Yorkshire<br>LS28 6AT  |
| <b>Auditors</b>          | BDO Stoy Hayward LLP<br>1 City Square<br>Leeds<br>West Yorkshire<br>LS1 2DP          |
| <b>Bankers</b>           | Barclays Bank PLC<br>P O Box 190<br>1 Park Row<br>Leeds<br>West Yorkshire<br>LS1 5WU |
| <b>Company Number</b>    | 1473324  |

**Jack Lunn (Holdings) Limited**

**Annual report and financial statements for the year ended 30 September 2006**

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## **Jack Lunn (Holdings) Limited**

### **Annual report and financial statements for the year ended 30 September 2006**

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The directors present their report and the financial statements for the year ended 30 September 2006.

#### **Principal activity, review of the business and future developments**

The principal activities of the group continue to be those of contracting; the development, sale and letting of properties; house building; joinery manufacturing and installation.

On 16 January 2006 the group was subject to a demerger under which two subsidiaries, Jack Lunn (Developments) Limited and Joinery Direct Limited left the group. The group continues to operate the activities of these two companies.

The group incurred costs of approximately £100,000 in relation to this but no other significant costs are expected to be incurred in relation, although the distribution of certain assets to the demerged group resulted in an 8% reduction in rental income, excluding the additional income from the Group's Healthcare Division.

The Directors are confident of making up the lost rental income through acquisition of investment properties and/or new developments, and are constantly reviewing the property portfolio with a view to any disposals.

The Directors are satisfied with the results and progress of the business and the activities of its operating subsidiaries with the exception of one subsidiary. An experienced senior executive has been brought in on a consultancy basis to carry out a general review of that subsidiary. The Directors recognise the need to continually monitor all operations.

#### **Principle risks and uncertainties**

The Directors of the business, including those of its various subsidiaries carry out risk profiles as to the nature and type of work, location, management resources, labour availability, tender conditions, contract programme, clients financial status and the payment mechanism.

For Construction the Directors, being well aware of operating in a high risk industry, give careful consideration to all aspects of the various risk factors and prospective contracts are either rejected, or priced in accordance with the risks associated with the project under consideration.

With respect to property acquisition, each property or site is appraised having due consideration to the location and anticipated demand, along with any competition in the vicinity. In addition market research is carried out, which also covers rental levels in the area and likely rental growth prospects.

The main financial risks arising from the group's activities are credit risk, interest rate risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date. The group's policy in respect of interest rate risk and liquidity risk is to maintain a mixture of long term and short term debt finance to ensure the company has sufficient funds for its operations.

The business enjoys excellent relations with professionals in all areas in which it operates and the Directors are of the opinion that there will be good opportunities for the business to grow organically.

#### **Results and Dividends**

The profit for the year after taxation and minority interests amounted to £85,654.

Final dividends of £175,000 were paid during the year. In addition the dividend in specie arising from the demerger totalled £6,590,701.

## **Jack Lunn (Holdings) Limited**

### **Annual report and financial statements for the year ended 30 September 2006**

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#### **Market Value of Investment Properties**

The directors examined the properties portfolio at 30 September 2006, and revalued these as appropriate having regard to current market conditions. This revaluation was based on an independent valuation of the portfolio.

#### **Directors and their interests**

The following directors have held office since 1 October 2005:

H Lunn

R Lunn

D Lunn (resigned 16 January 2006)

G Lunn

R Farrar

A Lunn (appointed 17 January 2006)

In accordance with the company's Articles of Association G Lunn retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

The directors beneficial holdings in the shares of the company during the year were as follows:

|          | <b>Ordinary 'A' shares<br/>of £1 each<br/>30 September<br/>2006</b> | <b>Ordinary 'B' shares<br/>of £1 each<br/>30 September<br/>2006</b> | <b>Ordinary shares<br/>of £1 each<br/>1 October<br/>2005</b> |
|----------|---|---|--|
| H Lunn   | 654   | 1,375   | 1,375  |
| R Lunn   | 3,570   | 7,500   | 7,500  |
| D Lunn   | -   | -   | 5,500  |
| G Lunn   | 3,570   | 7,500   | 7,500  |
| R Farrar | -   | -   | -  |
| A Lunn   | 134   | 282   | -  |

#### **Employees**

Within the bounds of commercial confidentiality, staff are kept informed of matters that affect the progress of the group and that are of interest to them as employees. The group maintains regular communication with employees through project meetings and site briefings.

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work for employees who become disabled, to promote their career development within the group.

## **Jack Lunn (Holdings) Limited**

### **Annual report and financial statements for the year ended 30 September 2006**

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#### **Directors' Responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

**By order of the board**



G Lunn  
**Director**

28 February 2007

## **Jack Lunn (Holdings) Limited**

### **Independent Auditor's Report**

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We have audited the group and parent company financial statements (the "financial statements") of Jack Lunn (Holdings) Limited for the year ended 30 September 2006 which comprise the consolidated profit and loss account, statement of total recognised gains and losses, note of historic cost profit and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those 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 consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 group's and 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.

**Jack Lunn (Holdings) Limited**

**Independent Auditor's Report (continued)**

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*Opinion*

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 September 2006 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2006;
- 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.

*BDO Stoy Hayward LLP*  
**BDO STOY HAYWARD LLP**  
*Chartered Accountants*  
*and Registered Auditors*  
Leeds

Date: *28<sup>th</sup> February*..... 2007



**Jack Lunn (Holdings) Limited****Group Profit and Loss Account for the year ended 30 September 2006**

|  | Notes     | 2006<br>£           | 2005<br>As restated<br>£ |
|--|-----------|---------------------|--------------------------|
| <b>Turnover</b>  | <b>2</b>  | 44,939,751          | 57,668,566               |
| Change in stocks of finished goods<br>and work in progress     |           | 3,576,716           | 5,369,484                |
| Other operating income   |           | <u>72,443</u>       | <u>128,998</u>           |
|  |           | <u>48,588,910</u>   | <u>63,167,048</u>        |
| Raw materials and consumables                                  |           | (36,322,078)        | (50,106,818)             |
| Staff costs  | <b>23</b> | (8,835,629)         | (9,435,669)              |
| Depreciation and amortisation                                  |           | (430,040)           | (340,241)                |
| Other operating charges  |           | <u>(1,434,955)</u>  | <u>(1,365,671)</u>       |
|  |           | <u>(47,022,702)</u> | <u>(61,248,399)</u>      |
| <b>Group Operating Profit</b>                                  |           | 1,566,208           | 1,918,649                |
| Share of operating profit in associates                        |           | 205,429             | 200,808                  |
| Interest receivable  |           | 83,945              | 41,046                   |
| (Loss)/profit on disposal of investment<br>properties          | <b>4</b>  | (23,579)            | 54,774                   |
| Interest payable and similar<br>charges                        | <b>5</b>  | <u>(1,494,575)</u>  | <u>(1,106,949)</u>       |
| <b>Profit on ordinary<br/>activities before taxation</b>       | <b>3</b>  | 337,428             | 1,108,328                |
| Tax (charge)/credit on profits on<br>ordinary activities       | <b>6</b>  | <u>(370,595)</u>    | <u>8,667</u>             |
| <b>(Loss)/profit on ordinary activities<br/>after taxation</b> |           | (33,167)            | 1,116,995                |
| Minority interests   |           | <u>118,821</u>      | <u>(172,018)</u>         |
| <b>Profit for the year</b>                                     |           | 85,654              | 944,977                  |
| Dividends  | <b>7</b>  | <u>(6,765,701)</u>  | <u>(150,000)</u>         |
| <b>Retained (loss)/ profit for<br/>the year</b>                | <b>19</b> | <u>(6,680,047)</u>  | <u>794,977</u>           |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 to 30 form part of these financial statements.

**Jack Lunn (Holdings) Limited****Statement of Total Recognised Gains and Losses for the year ended 30 September 2006**

|  | Notes | 2006<br>£        | 2005<br>£        |
|--|-------|------------------|------------------|
| <b>Profit for the financial year</b>                                     |       | 85,654           | 944,977          |
| Unrealised revaluation surplus on properties                             | 19    | <u>1,216,221</u> | <u>3,435,049</u> |
| <b>Total recognised gains and losses relating to the year</b>            |       | <u>1,301,875</u> | <u>4,380,026</u> |
| <b>Total gains and losses recognised since last financial statements</b> |       | <u>1,301,875</u> | <u>4,380,026</u> |

**Note of Historical Cost Profits and Losses**

|   | 2006<br>£              | 2005<br>As restated<br>£ |
|---|------------------------|--------------------------|
| <b>Reported profit on ordinary activities before taxation</b>   | 337,428                | 1,108,328                |
| Realisation of property revaluation gains of previous years   | 19<br><u>3,271,997</u> | <u>-</u>                 |
| <b>Historical cost profit on ordinary activities before taxation</b>  | <u>3,609,425</u>       | <u>1,108,328</u>         |
| <b>Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends</b> | <u>(3,408,050)</u>     | <u>794,977</u>           |

The notes on pages 11 to 30 form part of these financial statements.

**Jack Lunn (Holdings) Limited**

**Group Balance Sheet as at 30 September 2006**

|  | Notes        | 2006              |                   | 2005              |                   |
|--|--------------|-------------------|-------------------|-------------------|-------------------|
|  |              | £                 | £                 | £                 | As restated<br>£  |
| <b>Intangible fixed assets</b>                                 | <b>8</b>     |                   | 142,542           |                   | 151,886           |
| <b>Tangible fixed assets</b>                                   |              |                   |                   |                   |                   |
| Investment properties  | <b>9</b>     |                   | 24,180,556        |                   | 33,061,583        |
| Other fixed assets   | <b>10</b>    |                   | 538,011           |                   | 788,263           |
| Investments  | <b>11(A)</b> |                   | <u>1,323,793</u>  |                   | <u>852,087</u>    |
|  |              |                   | 26,184,902        |                   | 34,853,819        |
| <b>Current assets</b>  |              |                   |                   |                   |                   |
| Stocks and work in progress                                    | <b>12</b>    | 1,099,821         |                   | 7,067,841         |                   |
| Debtors  | <b>13</b>    | 11,065,028        |                   | 12,281,522        |                   |
| Cash at bank and in hand                                       |              | <u>273,136</u>    |                   | <u>374,238</u>    |                   |
|  |              | 12,437,985        |                   | 19,723,601        |                   |
| <b>Creditors: amounts falling due within one year</b>          | <b>14</b>    | <u>12,452,305</u> |                   | <u>17,636,202</u> |                   |
| <b>Net current (liabilities)/assets</b>                        |              |                   | (14,320)          |                   | 2,087,399         |
| <b>Total assets less current liabilities</b>                   |              |                   | 26,170,582        |                   | 36,941,218        |
| <b>Creditors: amounts falling due after more than one year</b> | <b>15</b>    |                   | 7,486,365         |                   | 12,691,954        |
| <b>Provisions for liabilities and charges</b>                  | <b>17</b>    |                   | <u>167,500</u>    |                   | <u>111,500</u>    |
|  |              |                   | <u>18,516,717</u> |                   | <u>24,137,764</u> |
| <b>Capital and reserves</b>                                    |              |                   |                   |                   |                   |
| Called up share capital  | <b>18</b>    |                   | 25,000            |                   | 25,000            |
| Reserves   | <b>19</b>    |                   | <u>17,759,310</u> |                   | <u>23,223,136</u> |
| <b>Shareholders' funds - equity</b>                            |              |                   |                   |                   |                   |
| <b>interests</b>   | <b>20</b>    |                   | 17,784,310        |                   | 23,248,136        |
| Minority interests   |              |                   | <u>732,407</u>    |                   | <u>889,628</u>    |
|  |              |                   | <u>18,516,717</u> |                   | <u>24,137,764</u> |

The financial statements were approved by the board of directors and authorised for issue on 28 February 2007.



G Lunn  
**Director**

The notes on pages 11 to 30 form part of these financial statements.

**Jack Lunn (Holdings) Limited****Balance Sheet as at 30 September 2006**

|   | Notes | 2006             | 2005             |
|---|-------|------------------|------------------|
|   |       | £                | As restated<br>£ |
| <b>Fixed assets</b>                                   |       |                  |                  |
| Investments   | 11(B) | 203,986          | 205,086          |
| <b>Current assets</b>                                 |       |                  |                  |
| Debtors: amounts falling due within one year          | 13    | 65,880           | 744,911          |
| Debtors: amounts falling due after more than one year | 13    | 1,752,785        | 1,706,621        |
| Cash at bank  |       | <u>68,970</u>    | <u>-</u>         |
|   |       | 1,887,635        | 2,451,532        |
| <b>Creditors: amounts falling due within one year</b> | 14    | <u>335,314</u>   | <u>419,325</u>   |
| <b>Net current assets</b>                             |       | <u>1,552,321</u> | <u>2,032,207</u> |
| <b>Net assets</b>                                     |       | <u>1,756,307</u> | <u>2,237,293</u> |
| <b>Capital and reserves</b>                           |       |                  |                  |
| Called up share capital                               | 18    | 25,000           | 25,000           |
| Profit and loss account                               |       | <u>1,731,307</u> | <u>2,212,293</u> |
| <b>Shareholders' funds – equity interests</b>         | 20    | <u>1,756,307</u> | <u>2,237,293</u> |

The financial statements were approved by the board of directors and authorised for issue on 28 February 2007.



G Lunn  
Director

The notes on pages 11 to 30 form part of these financial statements.

**Jack Lunn (Holdings) Limited****Group Cash Flow Statement for the year ended 30 September 2006**

|  | Note      | 2006                      | 2005                      |
|--|-----------|---------------------------|---------------------------|
|  |           | £                         | £                         |
| <b>Net cash outflow from operating activities</b>                                    | <b>1A</b> | <b>(325,814)</b>          | <b>(4,117,587)</b>        |
| <b>Returns on investments and servicing of finance</b>                               |           |                           |                           |
| Interest received  |           | 83,945                    | 41,046                    |
| Interest paid  |           | (1,263,364)               | (959,259)                 |
| Minority dividends paid  |           | <u>(38,400)</u>           | <u>(38,400)</u>           |
| <b>Net cash outflow from returns on investments and servicing of finance</b>         |           | <b>(1,217,819)</b>        | <b>(956,613)</b>          |
| <b>Taxation</b>  |           | <b>(90,600)</b>           | <b>(266,016)</b>          |
| <b>Capital expenditure and financial investment</b>                                  |           |                           |                           |
| Additions to investment properties   |           | (44,356)                  | (5,791,249)               |
| Purchase of tangible fixed assets  |           | (233,850)                 | (403,965)                 |
| Sale of tangible fixed assets and investment properties                              |           | <u>2,160,121</u>          | <u>587,423</u>            |
| <b>Net cash inflow/(outflow) from capital expenditure and servicing of finance</b>   |           | <b>1,881,915</b>          | <b>(5,607,791)</b>        |
| <b>Acquisitions and disposals</b>  |           |                           |                           |
| Acquisition of subsidiary undertaking  | 4A        | -                         | (66,958)                  |
| Net overdraft disposed of on demerger  | 5A        | 9,243,073                 | -                         |
| Net cash acquired on acquisition of subsidiary undertaking                           | 4A        | <u>-</u>                  | <u>109,570</u>            |
| <b>Net cash inflow from acquisitions and disposals</b>                               |           | <b>9,243,073</b>          | <b>42,612</b>             |
| <b>Equity dividends paid</b>   |           | <b><u>(175,000)</u></b>   | <b><u>(150,000)</u></b>   |
| <b>Net cash inflow/(outflow) before management of liquid resources and financing</b> |           | <b>9,315,755</b>          | <b>(11,055,395)</b>       |
| <b>Financing</b>   |           |                           |                           |
| Net loan (repayments)/advances   |           | (4,712,513)               | 2,961,435                 |
| Capital element of hire purchase payments  |           | <u>(57,454)</u>           | <u>94,953</u>             |
| <b>Net cash (outflow)/inflow from financing</b>                                      | <b>2A</b> | <b><u>(4,769,967)</u></b> | <b><u>3,056,388</u></b>   |
| <b>Increase/(decrease) in cash in the year</b>                                       | <b>3A</b> | <b><u>4,545,788</u></b>   | <b><u>(7,999,007)</u></b> |

The notes on pages 11 to 30 form part of these financial statements.

# Jack Lunn (Holdings) Limited

## Notes to the Group Cash Flow Statement for the year ended 30 September 2006

### 1A Reconciliation of operating profit to net cash outflow from operating activities

|   | 2006<br>£               | 2005<br>£                 |
|---|-------------------------|---------------------------|
| Operating profit                                  | 1,566,208               | 1,918,649                 |
| Depreciation and amortisation                     | 430,040                 | 340,241                   |
| Loss/(profit) on disposal of fixed assets         | 1,282                   | (15,928)                  |
| Increase in stocks                                | (2,426,674)             | (5,359,582)               |
| Decrease/(increase) in debtors                    | 959,241                 | (2,629,532)               |
| (Decrease)/increase in creditors                  | <u>(855,911)</u>        | <u>1,628,565</u>          |
| <b>Net cash outflow from operating activities</b> | <b><u>(325,814)</u></b> | <b><u>(4,117,587)</u></b> |

### 2A Analysis of net debt

|                           | At<br>1 October<br>2005<br>£ | Cash Flow<br>£          | At<br>30 September<br>2006<br>£ |
|---------------------------|------------------------------|-------------------------|---------------------------------|
| <b>Net cash:</b>          |                              |                         |                                 |
| Cash in hand and at bank  | 374,238                      | (101,102)               | 273,136                         |
| Bank loans and overdrafts | <u>(4,991,025)</u>           | <u>4,646,890</u>        | <u>(344,135)</u>                |
|                           | (4,616,787)                  | 4,545,788               | (70,999)                        |
| <b>Debt:</b>              |                              |                         |                                 |
| Mortgage loans            | (12,857,938)                 | 4,677,528               | (8,180,410)                     |
| Director's loans          | (104,680)                    | 34,985                  | (69,695)                        |
| Hire purchase obligations | <u>(298,510)</u>             | <u>57,454</u>           | <u>(241,056)</u>                |
|                           | <u>(13,261,128)</u>          | <u>4,769,967</u>        | <u>(8,491,161)</u>              |
| <b>Net debt</b>           | <b><u>(17,877,915)</u></b>   | <b><u>9,315,755</u></b> | <b><u>(8,562,160)</u></b>       |

**Jack Lunn (Holdings) Limited****Notes to the Group Cash Flow Statement for the year ended 30 September 2006****3A Reconciliation of net cash flow to movement in net debt**

|  | 2006<br>£           | 2005<br>£           |
|--|---------------------|---------------------|
| Increase/(decrease) in cash in the year                | 4,545,788           | (7,999,007)         |
| Cash inflow/(outflow) from decrease/(increase) in debt | <u>4,769,967</u>    | <u>(3,126,528)</u>  |
| Change in net debt resulting from cash flows           | 9,315,755           | (11,125,535)        |
| Mortgage loans acquired with subsidiary                | -                   | <u>(3,912,452)</u>  |
| Movement in net debt in year                           | 9,315,755           | (15,037,987)        |
| Opening net debt                                       | <u>(17,877,915)</u> | <u>(2,839,928)</u>  |
| Closing net debt                                       | <u>(8,562,160)</u>  | <u>(17,877,915)</u> |

**4A Acquisition of subsidiary undertaking**

| Net assets acquired          | 2006<br>£ | 2005<br>£       |
|------------------------------|-----------|-----------------|
| Fixed assets                 | -         | 3,684,629       |
| Debtors                      | -         | 185,260         |
| Cash at banks and in hand    | -         | 109,570         |
| Creditors                    | -         | (41,929)        |
| Bank loans                   | -         | (3,912,452)     |
| Loan stocks                  | -         | (204,768)       |
| Deferred tax                 | -         | <u>(25,000)</u> |
|                              | -         | (204,690)       |
| Pre acquisition deficit held | -         | 66,233          |
| Minority interest acquired   | -         | 51,193          |
| Goodwill on acquisition      | -         | <u>154,222</u>  |
| Net assets acquired          | <u>-</u>  | <u>66,958</u>   |
| Satisfied by                 |           |                 |
| Cash for shares              | <u>-</u>  | <u>66,958</u>   |

**Jack Lunn (Holdings) Limited**

**Notes to the Group Cash Flow Statement for the year ended 30 September 2006**

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**5A Demerger of subsidiary undertakings**

| Net assets disposed of | 2006<br>£        | 2005<br>£ |
|------------------------|------------------|-----------|
| Fixed assets           | 7,920,800        | -         |
| Stocks                 | 7,996,964        | -         |
| Debtors                | 260,253          | -         |
| Creditors              | (344,243)        | -         |
| Bank overdrafts        | (9,243,073)      | -         |
| Net assets disposed of | <u>6,590,701</u> | <u>-</u>  |
| Satisfied by           |                  |           |
| Dividend in specie     | <u>6,590,701</u> | <u>-</u>  |

Subsidiary undertakings demerged during the year contributed £348,000 to group net operating cash outflows, incurred £96,000 in respect of net returns on investments and servicing of finance and utilised £500 for capital expenditure.



## Jack Lunn (Holdings) Limited

### Notes to the Financial Statements for the year ended 30 September 2006

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#### 1 Accounting Policies

The financial statements are prepared under the historical cost convention.

The following principal accounting policies have been applied.

##### *Compliance with accounting standards*

The accounts have been prepared in accordance with applicable accounting standards.

##### *Group accounts*

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, all of which are made up to 30 September 2006, using the acquisition method of accounting. A separate profit and loss account dealing with the results of the company only has not been presented in accordance with the exemption conferred by section 230 Companies Act 1985.

##### *Turnover*

Turnover represents amounts receivable for goods, services and rents, net of value added tax and trade discounts.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract. Foreseen losses are written off immediately.

##### *Goodwill*

In accordance with Financial Reporting Standard 10 "Goodwill and Intangible Assets", positive and negative goodwill arising on consolidation is capitalised as an asset and amortised over its useful economic life. Previously, positive goodwill arising on consolidation was written off to reserves in the year of acquisition and negative goodwill arising on consolidation was credited directly to capital reserves.

The directors have taken advantage of the transitional arrangements in FRS10 and have not reinstated goodwill previously eliminated against reserves. On any subsequent disposals, the goodwill will be charged or credited to the profit and loss account.

##### *Investment properties*

In accordance with the applicable accounting standard, SSAP 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 20 years to run. Although the Companies Act would normally require the systematic annual depreciation of these properties, the directors believe that this policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view. These properties are maintained in a state of good repair and accordingly the directors consider that the lives of the assets are so long and residual values, based on prices prevailing at the time of valuation, are so high that any depreciation charge to the profit and loss account would be insignificant.

## Jack Lunn (Holdings) Limited

### Notes to the Financial Statements for the year ended 30 September 2006 (continued)

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#### *Investment properties (continued)*

No provision is made for any capital gains tax that may arise in the event of actual sales being effected at these revalued amounts.

Investment properties under construction are carried at cost and not depreciated.

#### *Other tangible fixed assets and depreciation*

Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

|                       |                                  |
|-----------------------|----------------------------------|
| Plant and equipment   | 20% - 25% reducing balance basis |
| Fixtures and fittings | 20% - 33% reducing balance basis |
| Motor vehicles        | 25% reducing balance basis       |

#### *Investments*

Fixed asset investments are stated at cost, less provision for permanent diminution in value.

#### *Leasing and hire purchase commitments*

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals paid under operating lease are charged against income on a straight line basis over the period of the lease.

#### *Stocks and work in progress*

Stocks and work in progress, other than long term contracts, are valued at the lower of cost and net realisable value.

#### *Long term contracts*

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

## Jack Lunn (Holdings) Limited

### Notes to the Financial Statements for the year ended 30 September 2006 (continued)

#### *Pension costs*

The pension costs charged in the financial statements represent the contributions payable by the company and group during the period in accordance with FRS 17.

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

#### *FRS 21 'Events after the balance sheet date'*

The company has adopted FRS 21 'Events after the balance sheet date'. Previously, equity dividends declared after the balance sheet date were recognised as liabilities at the year end, as required by company law and SSAP 17 'Accounting for post balance sheet events'. In accordance with FRS 21 and recent changes to the law, if a final equity dividend is declared after the balance sheet date but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the balance sheet date.

The adoption of FRS 21 has resulted in an increase in shareholders funds of £175,000 at 1 October 2005 due to the write back of the dividend proposed at 30 September 2005.

## 2 Segmental Information

|  | Turnover          |                   | Profit/(loss) before taxation |                  |
|--|-------------------|-------------------|-------------------------------|------------------|
|  | 2006              | 2005              | 2006                          | 2005             |
|  | £                 | £                 | £                             | £                |
| Contracting, house building, joinery<br>manufacture, and property<br>development | 43,488,642        | 55,877,464        | 348,350                       | 678,509          |
| Property income  | <u>1,451,109</u>  | <u>1,791,102</u>  | <u>(10,922)</u>               | <u>429,819</u>   |
|  | <u>44,939,751</u> | <u>57,668,566</u> | <u>337,428</u>                | <u>1,108,328</u> |

Geographical market - all turnover is earned in the United Kingdom.

# Jack Lunn (Holdings) Limited

## Notes to the Financial Statements for the year ended 30 September 2006 (continued)

|   |                  |                  |
|---|------------------|------------------|
| <b>3 Profit on Ordinary Activities before Taxation</b>          | <b>2006</b>      | <b>2005</b>      |
|   | <b>£</b>         | <b>£</b>         |
| Operating profit is stated after charging:                      |                  |                  |
| Auditors' remuneration - audit                                  | 44,500           | 42,480           |
| Auditors' remuneration - non-audit                              | 24,345           | 22,650           |
| Loss/(profit) on disposal of tangible fixed assets              | <u>1,282</u>     | <u>(15,928)</u>  |
| <b>4 (Loss)/Profit on Disposal of Investment Property</b>       | <b>2006</b>      | <b>2005</b>      |
|   | <b>£</b>         | <b>£</b>         |
| Group   | (66,586)         | 49,441           |
| Share of associates   | <u>43,007</u>    | <u>5,333</u>     |
|   | <u>(23,579)</u>  | <u>54,774</u>    |
| <b>5 Interest Payable</b>                                       | <b>2006</b>      | <b>2005</b>      |
|   | <b>£</b>         | <b>£</b>         |
| On bank loans and overdrafts:                                   |                  |                  |
| Group   | 184,091          | 164,647          |
| Share of associates   | 231,211          | 147,690          |
| On hire purchase contracts                                      | 14,253           | 17,817           |
| On mortgage loans   | <u>1,065,020</u> | <u>776,795</u>   |
|   | <u>1,494,575</u> | <u>1,106,949</u> |
| <b>6 Taxation</b>   | <b>2006</b>      | <b>2005</b>      |
|   | <b>£</b>         | <b>£</b>         |
| <b>Domestic current year taxation</b>                           |                  |                  |
| UK corporation tax  |                  |                  |
| Group   | 320,500          | 162,500          |
| Share of associates   | (530)            | 3,464            |
| Adjustment for prior years                                      | <u>(2,375)</u>   | <u>(20,631)</u>  |
| <b>Current tax charge</b>                                       | 317,595          | 145,333          |
| <b>Deferred tax</b>   |                  |                  |
| Credit arising on movement in deferred tax assets               | (3,000)          | (163,000)        |
| Charge/(credit) arising on movement in deferred tax liabilities |                  |                  |
| Group   | 56,000           | 9,000            |
| Share of associates   | -                | -                |
|   | <u>53,000</u>    | <u>(154,000)</u> |
|   | <u>370,595</u>   | <u>(8,667)</u>   |

## Jack Lunn (Holdings) Limited

### Notes to the Financial Statements for the year ended 30 September 2006 (continued)

#### 6 Taxation (Continued)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

|  | 2006<br>£       | 2005<br>£        |
|--|-----------------|------------------|
| <b>Factors affecting the tax charge for the year</b>   |                 |                  |
| Profit on ordinary activities before taxation  | <u>337,428</u>  | <u>1,108,328</u> |
| Profit on ordinary activities before taxation multiplied by<br>standard rate of UK corporation tax of 30% (2005:30%) | <u>101,228</u>  | <u>332,498</u>   |
| Effects of:  |                 |                  |
| Non deductible expenses  | 60,022          | 11,524           |
| Capital allowances in deficit/(excess) of depreciation   | 56,508          | (43,006)         |
| Tax losses utilised  | (219,409)       | (137,061)        |
| Tax losses not utilised  | 2,403           | 16,440           |
| Movement on unrealised inter group trading profits   | (7,515)         | -                |
| Indexation on capital disposal   | -               | (2,501)          |
| Capital gain on realised reserves and revaluations   | 339,842         | -                |
| Marginal relief  | 399             | (444)            |
| Adjustments to previous periods  | (2,375)         | (26,631)         |
| Other tax adjustments  | <u>(13,508)</u> | <u>(11,486)</u>  |
|  | <u>216,367</u>  | <u>(187,165)</u> |
| <b>Current tax charge</b>  | <u>317,595</u>  | <u>145,333</u>   |

Estimated trading losses of £1,200,000 (2005: £1,890,000) and capital losses of £60,000 (2005: £60,000) are available within the group for carry forward against future profits.

The directors have accrued a deferred tax asset of £226,000 (2005: £223,000) in respect of accelerated capital allowances, trading losses and short term timing differences expected to crystallise in the foreseeable future. The amounts unprovided are detailed at note 17.

#### 7 Dividends

|   | 2006<br>£        | 2005<br>£      |
|---|------------------|----------------|
| Interim ordinary dividend paid                      | -                | 150,000        |
| Distribution in specie                              | 6,590,701        | -              |
| Final ordinary dividend proposed for the prior year | <u>175,000</u>   | -              |
|   | <u>6,765,701</u> | <u>150,000</u> |
| Final ordinary dividend proposed for the year       | <u>-</u>         | <u>175,000</u> |

The proposed final dividend has not been accrued for as the dividend was declared after the balance sheet date.

# Jack Lunn (Holdings) Limited

## Notes to the Financial Statements for the year ended 30 September 2006 (continued)

### 8 Intangible assets – Group

|   | Goodwill<br>on consolidation<br>£ |
|---|-----------------------------------|
| <b>Cost</b>                             |                                   |
| At 1 October 2005 and 30 September 2006 | <u>154,222</u>                    |
| <b>Amortisation</b>                     |                                   |
| At 1 October 2005                       | 2,336                             |
| Provided for the year                   | <u>9,344</u>                      |
| At 30 September 2005                    | <u>11,680</u>                     |
| <b>Net Book value</b>                   |                                   |
| At 30 September 2006                    | <u>142,542</u>                    |
| At 30 September 2005                    | <u>151,886</u>                    |

### 9 Investment Properties - Group

|                           | Freehold<br>£      | Long<br>Leasehold<br>£ | Total<br>£         |
|---------------------------|--------------------|------------------------|--------------------|
| <b>Cost or Valuation</b>  |                    |                        |                    |
| At 1 October 2005         | 32,993,033         | 650,000                | 33,643,033         |
| Transfers from stock      | 397,730            | -                      | 397,730            |
| Additions                 | 44,356             | -                      | 44,356             |
| Surplus on revaluation    | 762,270            | -                      | 762,270            |
| On distribution in specie | (7,063,000)        | (650,000)              | (7,713,000)        |
| Disposals                 | <u>(2,201,266)</u> | <u>-</u>               | <u>(2,201,266)</u> |
| At 30 September 2006      | <u>24,933,123</u>  | <u>-</u>               | <u>24,933,123</u>  |
| <b>Depreciation</b>       |                    |                        |                    |
| At 1 October 2005         | 581,450            | -                      | 581,450            |
| Charge for year           | <u>171,117</u>     | <u>-</u>               | <u>171,117</u>     |
| At 30 September 2006      | <u>752,567</u>     | <u>-</u>               | <u>752,567</u>     |
| <b>Net Book value</b>     |                    |                        |                    |
| At 30 September 2006      | <u>24,180,556</u>  | <u>-</u>               | <u>24,180,556</u>  |
| At 30 September 2005      | <u>32,411,583</u>  | <u>650,000</u>         | <u>33,061,583</u>  |

Comparable historical cost for the land and buildings included at valuation:

|                           |                    |           |                    |
|---------------------------|--------------------|-----------|--------------------|
| <b>Cost</b>               |                    |           |                    |
| At 1 October 2005         | 17,828,499         | 256,671   | 18,085,170         |
| Transfers from stock      | 397,730            | -         | 397,730            |
| Additions                 | 44,356             | -         | 44,356             |
| On distribution in specie | (5,050,187)        | (256,671) | (5,306,858)        |
| Disposals                 | <u>(1,458,171)</u> | <u>-</u>  | <u>(1,458,171)</u> |
| At 30 September 2006      | <u>11,762,227</u>  | <u>-</u>  | <u>11,762,227</u>  |

The investment properties held at 30 September 2006 were valued by the directors on an open market basis. This revaluation was based on an independent valuation of the portfolio.

# Jack Lunn (Holdings) Limited

## Notes to the Financial Statements for the year ended 30 September 2006 (continued)

### 9 Investment Properties – Group (continued)

Included in freehold properties are two properties occupied by group companies. The directors believe it is not practicable to quantify the value attributable to group occupation. The total value of these two properties is £3,146,013 (2005: £3,146,013).

| 10 Tangible Fixed Assets - Group | Plant & equipment<br>£ | Fixtures & fittings<br>£ | Motor vehicles<br>£ | Total<br>£       |
|----------------------------------|------------------------|--------------------------|---------------------|------------------|
| <b>Cost:</b>                     |                        |                          |                     |                  |
| At 1 October 2005                | 1,102,072              | 422,797                  | 915,905             | 2,440,774        |
| Additions                        | 10,066                 | 22,730                   | 201,054             | 233,850          |
| On distribution in specie        | (494,414)              | (24,286)                 | (62,656)            | (581,356)        |
| Disposals                        | <u>(20,000)</u>        | <u>(34,846)</u>          | <u>(144,515)</u>    | <u>(199,361)</u> |
| At 30 September 2006             | <u>597,724</u>         | <u>386,395</u>           | <u>909,788</u>      | <u>1,893,907</u> |
| <b>Depreciation</b>              |                        |                          |                     |                  |
| At 1 October 2005                | 714,078                | 385,851                  | 552,582             | 1,652,511        |
| Charge for the year              | 51,143                 | 25,333                   | 173,103             | 249,579          |
| On distribution in specie        | (324,071)              | (22,163)                 | (27,322)            | (373,556)        |
| Disposals                        | <u>(20,000)</u>        | <u>(34,846)</u>          | <u>(117,792)</u>    | <u>(172,638)</u> |
| At 30 September 2006             | <u>421,150</u>         | <u>354,175</u>           | <u>580,571</u>      | <u>1,355,896</u> |
| <b>Net Book value</b>            |                        |                          |                     |                  |
| At 30 September 2006             | <u>176,574</u>         | <u>32,220</u>            | <u>329,217</u>      | <u>538,011</u>   |
| At 30 September 2005             | <u>387,994</u>         | <u>36,947</u>            | <u>363,323</u>      | <u>788,263</u>   |

Included above are assets held under hire purchase contracts as follows:

|   | Plant & Equipment<br>£ | Fixtures & Fittings<br>£ | Motor Vehicles<br>£ | Total<br>£     |
|---|------------------------|--------------------------|---------------------|----------------|
| <b>Net Book Values</b>                  |                        |                          |                     |                |
| At 30 September 2006                    | <u>-</u>               | <u>-</u>                 | <u>174,761</u>      | <u>174,761</u> |
| At 30 September 2005                    | <u>139,637</u>         | <u>-</u>                 | <u>281,255</u>      | <u>420,892</u> |
| <b>Depreciation charge for the year</b> |                        |                          |                     |                |
| At 30 September 2006                    | <u>-</u>               | <u>-</u>                 | <u>136,229</u>      | <u>136,229</u> |
| At 30 September 2005                    | <u>34,915</u>          | <u>-</u>                 | <u>130,702</u>      | <u>165,617</u> |

### 11A Investments - Group

|   | 2006<br>£        | 2005<br>£      |
|---|------------------|----------------|
| Share of net assets in associated undertaking | <u>1,323,793</u> | <u>852,087</u> |

## Jack Lunn (Holdings) Limited

### Notes to the Financial Statements for the year ended 30 September 2006 (continued)

#### 11A Investments – Group (continued)

##### Holdings of more than 20%

The group holds more than 20% of the share capital of the following company:

| Company                            | Country of registration of incorporation | Class      | Shares held % |
|------------------------------------|--|------------|---------------|
| <b>Participating interests</b>     |  |            |               |
| Lunn Healthcare Properties Limited | England & Wales                          | Ordinary A | 50.0          |

Lunn Healthcare Properties Limited owns the whole of the Ordinary share capital of Lunn Healthcare Facilities Limited, a company registered in England.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial period were as follows:

|                                    | Period ended      | Capital and reserves | Profit for the year |
|------------------------------------|-------------------|----------------------|---------------------|
| Lunn Healthcare Properties Limited | 30 September 2006 | 1,468,384            | 99,471              |
| Lunn Healthcare Facilities Limited | 30 September 2006 | 1,179,198            | 53,937              |

The principal activities of the companies are as follows:

|                                    |   |
|------------------------------------|---|
| Lunn Healthcare Properties Limited | Property investment, specifically custom designed medical centres                 |
| Lunn Healthcare Facilities Limited | Property development and investment, specifically custom designed medical centres |

An analysis of the group's share of turnover and net assets in associated undertakings for the year ended 30 September 2006 is shown below:

|   | 2006<br>£          | 2005<br>£          |
|---|--------------------|--------------------|
| Share of turnover                                       | <u>236,005</u>     | <u>154,603</u>     |
| Share of assets   |                    |                    |
| Fixed assets  | 5,120,140          | 2,197,500          |
| Current assets  | <u>688,702</u>     | <u>2,463,004</u>   |
|   | <u>5,808,842</u>   | <u>4,660,504</u>   |
| Share of liabilities                                    |                    |                    |
| Creditors: amounts falling due within one year          | 2,661,599          | 2,705,640          |
| Creditors: amounts falling due after more than one year | <u>1,823,450</u>   | <u>1,102,777</u>   |
|   | <u>(4,485,049)</u> | <u>(3,808,417)</u> |
| Share of net assets                                     | <u>1,323,793</u>   | <u>852,087</u>     |



## Jack Lunn (Holdings) Limited

### Notes to the Financial Statements for the year ended 30 September 2006 (continued)

#### 11B Investments - Company

#### Shares in group undertakings

##### Cost

|                           |                |
|---------------------------|----------------|
| At 1 October 2005         | 724,086        |
| On distribution in specie | (1,100)        |
| At 30 September 2006      | <u>722,986</u> |

##### Provision

|  |                |
|--|----------------|
| At 1 October 2005 and at 30 September 2006 | <u>519,000</u> |
|--|----------------|

##### Net Book Value

|                      |                |
|----------------------|----------------|
| At 30 September 2006 | <u>203,986</u> |
|----------------------|----------------|

|                      |                |
|----------------------|----------------|
| At 30 September 2005 | <u>205,086</u> |
|----------------------|----------------|

The companies included above, all of which are registered in England, are:

| Name of Company                         | Nature of Business                             | Class of Shares Held | Percentage |
|---|--|----------------------|------------|
| Jack Lunn (Leeds) Limited               | Holding company                                | Ordinary             | 100%       |
| Jack Lunn (Properties) Limited          | Property investment                            | Ordinary             | 100%       |
| Facilities Management Solutions Limited | Provision of management services               | Ordinary             | 100%       |
| Jack Lunn (Homes) Limited               | Residential property development               | Ordinary             | 100%       |
| Irwins Limited                          | Building contractors and joinery manufacturers | 'A' Ordinary         | 51%        |
| Jack Lunn (Developments) Limited        | Dormant  | Ordinary             | 100%       |

Jack Lunn (Leeds) Limited owns the whole of the ordinary share capital of Jack Lunn (Construction) Limited, a company registered in England. Jack Lunn (Construction) Limited operates as a building contractor.

Jack Lunn (Properties) Limited owns 74.99% of the ordinary share capital of Bandbreeze Limited, a company registered in England. Bandbreeze Limited operates as a holding company.

Bandbreeze Limited owns the whole of the ordinary share capital of LBS (Fire Services) Limited, a company registered in England. LBS (Fire Services) Limited operates as a developer of property and facilities management under a private finance initiative contract.

**Jack Lunn (Holdings) Limited**

**Notes to the Financial Statements for the year ended 30 September 2006 (continued)**

**12 Stocks and Work in Progress**

|  | <b>Group</b>     |                  |
|--|------------------|------------------|
|  | <b>2006</b>      | <b>2005</b>      |
|  | <b>£</b>         | <b>£</b>         |
| Raw materials and consumables                              | 62,110           | 57,203           |
| Work in progress, and land and buildings under development | 1,037,711        | 5,754,628        |
| Completed developments                                     | -                | 1,256,010        |
|  | <u>1,099,821</u> | <u>7,067,841</u> |

**13 Debtors**

|  | <b>Group</b>      |                   | <b>Company</b> |                |
|--|-------------------|-------------------|----------------|----------------|
|  | <b>2006</b>       | <b>2005</b>       | <b>2006</b>    | <b>2005</b>    |
|  | <b>£</b>          | <b>£</b>          | <b>£</b>       | <b>£</b>       |
| <b>Amounts falling due within one year</b> |                   |                   |                |                |
| Trade debtors                              | 8,135,081         | 8,927,582         | -              | -              |
| Amounts owed by subsidiary undertakings    | -                 | -                 | 65,491         | 704,251        |
| Amounts owed by associated undertaking     | 57,013            | 243,757           | -              | -              |
| Amounts recoverable on contracts           | 2,190,415         | 1,939,499         | -              | -              |
| Other debtors                              | 238,165           | 646,522           | -              | 40,660         |
| Prepayments and accrued income             | 148,354           | 301,162           | 389            | -              |
| Corporation tax debtor                     | 70,000            | -                 | -              | -              |
| Deferred tax asset (note 6)                | <u>226,000</u>    | <u>223,000</u>    | -              | -              |
|  | <u>11,065,028</u> | <u>12,281,522</u> | <u>65,880</u>  | <u>744,911</u> |

The deferred tax asset is recoverable in more than one year.

|  | <b>Group</b> |             | <b>Company</b>   |                  |
|--|--------------|-------------|------------------|------------------|
|  | <b>2006</b>  | <b>2005</b> | <b>2006</b>      | <b>2005</b>      |
|  | <b>£</b>     | <b>£</b>    | <b>£</b>         | <b>£</b>         |
| <b>Amounts falling due in more than one year</b> |              |             |                  |                  |
| Amounts owed by subsidiary undertaking           | <u>-</u>     | <u>-</u>    | <u>1,752,785</u> | <u>1,706,621</u> |

**Jack Lunn (Holdings) Limited**

**Notes to the Financial Statements for the year ended 30 September 2006 (continued)**

**14 Creditors: Amounts falling due within one year**

|  | <b>Group</b>      |                          | <b>Company</b> |                          |
|--|-------------------|--------------------------|----------------|--------------------------|
|  | <b>2006</b>       | <b>2005</b>              | <b>2006</b>    | <b>2005</b>              |
|  | <b>£</b>          | <b>As restated<br/>£</b> | <b>£</b>       | <b>As restated<br/>£</b> |
| Bank loans and overdrafts                              | 344,135           | 4,991,025                | -              | 250,986                  |
| Mortgage loans (notes 15 & 16)                         | 786,756           | 319,782                  | -              | -                        |
| Obligations under hire purchase contracts (note 15)    | 148,345           | 144,712                  | -              | -                        |
| Trade creditors  | 9,136,642         | 9,946,175                | -              | -                        |
| Amounts owed to subsidiary and associated undertakings |                   | -                        | 203,583        | 1,387                    |
| Directors' loans                                       | 69,695            | 104,680                  | 69,695         | 104,680                  |
| Corporation tax  | 390,500           | 164,975                  | -              | -                        |
| Other creditors  | 112,035           | 64,236                   | 62,036         | 9,988                    |
| Other taxes and social security costs                  | 461,492           | 594,352                  | -              | -                        |
| Accruals and deferred income                           | <u>1,002,705</u>  | <u>1,306,265</u>         | <u>-</u>       | <u>52,284</u>            |
|  | <u>12,452,305</u> | <u>17,636,202</u>        | <u>335,314</u> | <u>419,325</u>           |

The bank loans and overdrafts are secured by a fixed and floating charge over the assets and undertakings of the company and its subsidiary undertakings together with cross guarantees and debentures given by its subsidiary undertakings.

Assets held under hire purchase contracts are secured on the assets to which they relate.

**15 Creditors: Amounts falling due after more than one year**

|   | <b>Group</b>     |                   |
|---|------------------|-------------------|
|   | <b>2006</b>      | <b>2005</b>       |
|   | <b>£</b>         | <b>£</b>          |
| Mortgage loans (note 16)                  | 7,393,654        | 12,538,156        |
| Obligations under hire purchase contracts | <u>92,711</u>    | <u>153,798</u>    |
|   | <u>7,486,365</u> | <u>12,691,954</u> |

**Jack Lunn (Holdings) Limited****Notes to the Financial Statements for the year ended 30 September 2006 (continued)****15 Creditors: Amounts falling due after more than one year (Continued)**

| <b>Obligations under hire purchase contracts</b>    | <b>2006</b>      | <b>2005</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| Repayable within one year                           | 148,345          | 144,712          |
| Repayable between one and two years                 | 69,066           | 108,275          |
| Repayable between two and five years                | <u>23,645</u>    | <u>45,523</u>    |
|   | 241,056          | 298,510          |
| Included in liabilities falling due within one year | <u>(148,345)</u> | <u>(144,712)</u> |
|   | <u>92,711</u>    | <u>153,798</u>   |

**16 Loans: Amounts falling due after more than one year**

|   | <b>2006</b>      | <b>2005</b>       |
|---|------------------|-------------------|
|   | <b>£</b>         | <b>£</b>          |
| 11.54% mortgage loan repayable in 2007                              | -                | 576,441           |
| 13.69% mortgage loan repayable in 2009                              | 1,077,151        | 1,109,354         |
| 13.72% mortgage loan repayable in 2009                              | 1,420,282        | 1,465,653         |
| 13.88% mortgage loan repayable in 2011                              | -                | 817,244           |
| 8.25% mortgage loan repayable in half yearly instalments to 2011    | -                | 310,500           |
| 6.21% mortgage loan repayable in 2018                               | 1,193,928        | 1,225,039         |
| Libor + 1.25% mortgage loan repayable 2035                          | -                | 1,612,500         |
| 6.32% mortgage loan repayable 2035                                  | -                | 1,612,500         |
| Base rate + 1.1% to 5.0% bank loan repayable in instalments to 2027 | <u>3,702,293</u> | <u>3,808,925</u>  |
| Loans payable after one year  | <u>7,393,654</u> | <u>12,538,156</u> |

Certain of the above loans are subject to rates of interest less than those shown above for prompt payment of interest on the due dates.

The mortgage loans are secured by fixed charges over certain properties held by a subsidiary.

| <b>Loan Maturity Analysis</b>        | <b>2006</b>      | <b>2005</b>       |
|--------------------------------------|------------------|-------------------|
|                                      | <b>£</b>         | <b>£</b>          |
| Amounts payable by instalments:      |                  |                   |
| within one year                      | 230,506          | 319,782           |
| between one and two years            | 223,892          | 325,896           |
| between two and five years           | 605,346          | 957,215           |
| over five years                      | <u>3,537,803</u> | <u>3,742,036</u>  |
|                                      | 4,597,547        | 5,344,929         |
| Amounts not payable by instalments:  |                  |                   |
| within one year                      | 556,248          | -                 |
| between one and two years            | -                | 556,248           |
| between two and five years           | 2,291,154        | 2,291,154         |
| over five years                      | <u>735,461</u>   | <u>4,665,607</u>  |
|                                      | 8,180,410        | 12,857,938        |
| Less included in current liabilities | <u>(786,756)</u> | <u>(319,782)</u>  |
|                                      | <u>7,393,654</u> | <u>12,538,156</u> |

# Jack Lunn (Holdings) Limited

## Notes to the Financial Statements for the year ended 30 September 2006 (continued)

### 17 Provisions for Liabilities and Charges - Group

|                              | <b>Deferred<br/>taxation<br/>£</b> |
|------------------------------|------------------------------------|
| Balance at 1 October 2005    | 111,500                            |
| Profit and loss account      | <u>56,000</u>                      |
| Balance at 30 September 2006 | <u>167,500</u>                     |

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

|   | <b>Not provided</b> |                  | <b>Provided</b> |                |
|---|---------------------|------------------|-----------------|----------------|
|   | <b>2006</b>         | <b>2005</b>      | <b>2006</b>     | <b>2005</b>    |
|   | <b>£</b>            | <b>£</b>         | <b>£</b>        | <b>£</b>       |
| Accelerated capital allowances              | (82,000)            | (84,000)         | 277,500         | 277,500        |
| Trading losses                              | (361,000)           | (632,000)        | (69,000)        | (85,000)       |
| Short term timing differences               | -                   | -                | (41,000)        | (81,000)       |
| On disposal of properties at net book value | 1,500,000           | 2,215,000        | -               | -              |
| Capital losses                              | <u>(1,000)</u>      | <u>(18,000)</u>  | -               | -              |
| Net deferred tax liabilities                | <u>1,056,000</u>    | <u>1,481,000</u> | <u>167,500</u>  | <u>111,500</u> |

Discounting has not been applied to the calculation of deferred tax liabilities.

Deferred tax is not provided in respect of revalued investment properties until such time there is a binding contract to sell.

### 18 Share Capital

|   | <b>2006</b>    | <b>2005</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| <b>Authorised</b>                         |                |                |
| Ordinary shares of £1 each                | -              | 100,000        |
| 'A' Ordinary shares of £1 each            | 8,062          | -              |
| 'B' Ordinary shares of £1 each            | <u>91,938</u>  | <u>-</u>       |
|   | <u>100,000</u> | <u>100,000</u> |
| <b>Allotted, called up and fully paid</b> |                |                |
| Ordinary shares of £1 each                | -              | 25,000         |
| 'A' Ordinary shares of £1 each            | 8,062          | -              |
| 'B' Ordinary shares of £1 each            | <u>16,938</u>  | <u>-</u>       |
|   | <u>25,000</u>  | <u>25,000</u>  |

On 16 January 2006 the ordinary share capital of the company was redesignated as 'A' Ordinary and 'B' Ordinary shares of £1 each, and certain assets distributed to the 'A' Ordinary shareholders as part of a statutory demerger.

Subsequent to this the 'A' Ordinary shares have no rights to dividends, voting or attendance at General Meetings, or capital in the event of winding up.

# Jack Lunn (Holdings) Limited

## Notes to the Financial Statements for the year ended 30 September 2006 (continued)

### 19 Reserves - Group

|                                       | Share of<br>Associates<br>Revaluation<br>reserve<br>£ | Revaluation<br>reserve<br>£ | Profit and<br>loss<br>account<br>£ | Total<br>Reserves<br>£ |
|---------------------------------------|---|-----------------------------|------------------------------------|------------------------|
| Balance at 1 October 2005             | 847,455   | 15,680,623                  | 6,520,058                          | 23,048,136             |
| Prior period adjustment               | -   | -                           | 175,000                            | 175,000                |
| Balance at 1 October 2005 as restated | 847,455   | 15,680,623                  | 6,695,058                          | 23,223,136             |
| Profit for the year                   | -   | -                           | 85,654                             | 85,654                 |
| Dividend                              | -   | -                           | (6,765,701)                        | (6,765,701)            |
| Realised revaluations                 | -   | (3,271,997)                 | 3,271,997                          | -                      |
| Revaluation during the year           | 453,951   | 762,270                     | -                                  | 1,216,221              |
| Balance at 30 September 2006          | <u>1,301,406</u>                                      | <u>13,170,896</u>           | <u>3,287,008</u>                   | <u>17,759,310</u>      |

Positive goodwill previously eliminated against reserves amounted to £37,305 (2005:£37,305).

The prior period adjustment arises on the adoption of FRS21 'Events after the balance sheet date' and results in an increase in shareholders funds of £175,000 at 1 October 2005 due to the write back of the dividend proposed at 30 September 2005.

### Reserves - Company

Of the group profit for the year, a loss of £480,986 (2005: £437,053) after tax and dividends has been dealt with in the financial statements of Jack Lunn (Holdings) Limited.

### 20 Reconciliation of Movements in Shareholders' Funds

|  | 2006<br>£          | Group<br>2005<br>As restated<br>£ | Company<br>2006<br>£ | Company<br>2005<br>As restated<br>£ |
|--|--------------------|-----------------------------------|----------------------|-------------------------------------|
| Profit/(loss) for the financial year   | 85,654             | 944,977                           | 5,929,971            | (287,053)                           |
| Dividends                              | (6,765,701)        | (150,000)                         | (6,410,957)          | (150,000)                           |
| Other recognised gains and losses      | 1,216,221          | 3,435,049                         | -                    | -                                   |
| Movement in year                       | <u>(5,463,826)</u> | <u>4,230,026</u>                  | <u>(480,986)</u>     | <u>(437,053)</u>                    |
| Opening shareholders' funds            | 23,073,136         | 19,018,110                        | 2,062,293            | 2,674,346                           |
| Prior period adjustment                | 175,000            | -                                 | 175,000              | -                                   |
| Opening shareholders funds as restated | <u>23,248,136</u>  | <u>19,018,110</u>                 | <u>2,237,293</u>     | <u>2,674,346</u>                    |
| Closing shareholders' funds            | <u>17,784,310</u>  | <u>23,248,136</u>                 | <u>1,756,307</u>     | <u>2,237,293</u>                    |

### 21 Commitments on behalf of Group companies

The company has given an unlimited cross guarantee and debenture to Barclays Bank PLC to secure the borrowings of certain of its subsidiary and associated undertakings. At 30 September 2006 the net borrowings amounted to £5,038,590 (2005: £8,982,916).

The group has entered into performance bonds in the normal court of business which have been guaranteed by the group's insurers to a total of £1,647,255 (2005: £1,968,120).

**Jack Lunn (Holdings) Limited**

**Notes to the Financial Statements for the year ended 30 September 2006 (continued)**

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| <b>22 Directors' Emoluments</b>                         | <b>2006</b>    | <b>2005</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Emoluments for qualifying services                      | 392,741        | 456,276        |
| Company pension contributions to money purchase schemes | <u>133,169</u> | <u>224,218</u> |
| Aggregate emoluments                                    | <u>525,910</u> | <u>680,494</u> |

Retirement benefits are accruing to 2 directors (2005: 2) under money purchase pension schemes.

The emoluments of the highest paid director were as follows:

|  |                |                |
|--|----------------|----------------|
| Emoluments for qualifying services                     | 156,817        | 149,500        |
| Company pension contributions to money purchase scheme | <u>79,112</u>  | <u>145,105</u> |
|  | <u>235,929</u> | <u>294,605</u> |

## Jack Lunn (Holdings) Limited

### Notes to the Financial Statements for the year ended 30 September 2006 (continued)

| 23 Staff Costs   | 2006<br>No.      | 2005<br>No.      |
|--|------------------|------------------|
| <b>Number of employees</b>   |                  |                  |
| The average monthly number of employees (including directors) during the year was: |                  |                  |
| Administrative   | 72               | 76               |
| Construction   | <u>186</u>       | <u>190</u>       |
|  | <u>258</u>       | <u>266</u>       |
| <b>Employment costs</b>  | <b>£</b>         | <b>£</b>         |
| Wages and salaries   | 7,753,027        | 8,225,825        |
| Social security costs  | 701,737          | 761,287          |
| Other pension costs  | <u>380,865</u>   | <u>448,557</u>   |
|  | <u>8,835,629</u> | <u>9,435,669</u> |

#### 24 Pension Costs

The group administers four defined contribution pension schemes in respect of certain employees and a money purchase scheme for certain directors. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £380,865 (2005: £448,557). No contributions were outstanding at the year end (2005: £nil)

#### 25 Related Party Transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Jack Lunn (Holdings) Limited where at least 90% of the voting rights in the undertaking are controlled within that group and the undertaking is included in consolidated financial statements.

During the year wholly owned group undertakings made the following transactions with Irwins Limited, a 51% subsidiary of Jack Lunn (Holdings) Limited.

(a) Sales of £2,432,242 (2005: £306,925) in respect of contracting services provided.

These transactions were all negotiated on an arm's length basis. At 30 September 2006 Irwins Limited was owed by those undertakings £967,708 (2005 Irwins owed: £160,509).

During the year wholly owned group undertakings made the following transactions with Lunn Healthcare Facilities Limited, a company in which Jack Lunn (Holdings) Limited effectively holds 50% of the issued share capital.

a) Sales of £838,004 (2005: £1,800,120) in respect of contracting services provided.

These transactions were all negotiated on an arms length basis. At 30 September 2006 Lunn Healthcare Facilities owed these undertakings £57,013 (2005: £243,688).



**Jack Lunn (Holdings) Limited**

**Notes to the Financial Statements for the year ended 30 September 2005 (continued)**

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**26 Control**

The company is controlled by its shareholders.