

DIRECTORS' REPORT AND ACCOUNTS 2008

REGISTERED COMPANY NUMBER 1784931

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BOARD OF DIRECTORS

Rt. Hon. D P Heathcoat Amory MP
D F Stephenson, MRICS
R A Yorke
M F Heathcoat Amory
Sir Ian Heathcoat Amory Bt
A J Feilden, FRICS (Resigned 29th April 2008)
GCR Langworthy (Resigned 29th April 2008)
P Boros, FRICS
E F Heathcoat Amory

Chairman
Managing Director
Finance Director

SECRETARY

R A Yorke

AUDITORS

Bishop Fleming Chartered Accountants, 16 Queen Square, Bristol BS1 4NT

BANKERS

National Westminster Bank Plc, Tiverton Branch, 11 Fore Street, Tiverton, Devon EX16 6LW

SOLICITORS

MacFarlanes, 20 Cursitor Street, London. EC4A 1LT

REGISTERED OFFICE

The Island, Lowman Green, Tiverton, Devon EX16 4LA

LONDON HEADQUARTERS

Heathcoat House, 20 Savile Row, London W1S 3PR

REGISTERED COMPANY NUMBER

1784931

PRINCIPAL UNDERTAKINGS

	<u>% of ordinary share capital</u>
DEVONSHIRE HOMES LIMITED Property Development	100%
DRAGON HOTEL LIMITED Hotel Development	100%
TRILOGIE CORPORATE REAL ESTATE LIMITED Property Management and Consultancy	43.70%

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty fifth Annual General Meeting of London and Devonshire Trust Limited will be held at 12:45 on 29th May 2009 at The Island, Lowman Green, Tiverton, Devon EX16 4LA.

The business of the meeting will be:

1. To consider and adopt the Directors' Report and audited financial statements for the year ended 31 December 2008.
2. To declare a dividend.
3. To re-elect two directors.
4. To consider the following resolution, special notice having been received of the intention to propose the resolution as an ordinary resolution:

'That Bishop Fleming be reappointed auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.'
5. To transact any ordinary business of the company.

Any member entitled to attend and vote at this meeting may appoint a proxy, who need not be a member of the company, to attend and vote on his behalf.

On behalf of the Board.

R A Yorke
Secretary
23rd April 2009

The Island
Lowman Green
Tiverton
Devon EX16 4LA

CHAIRMAN'S STATEMENT

In 2008 the country entered a severe recession, which started with the near collapse of the banking system and has now spread to all parts of the economy. In these circumstances, LDT did well to make a group profit before tax of £1,741,742. Profit after tax and minority interests was £1,197,034. The board recommends a dividend of 8p per share, compared with 10p for the previous year.

LDT made a contribution to group profit of £407,954 before provision for the Senior Executive Incentive Scheme. Sales of land for house building were substantially down on last year. Mid Devon Business Park is now ready for occupancy but has inevitably been affected by the decline in occupier demand. We built a number of small business units on part of the site, known as Ethmar Court, and these are being offered for short and medium term lets until the freehold market returns. At the time of this report, 57% of these units were occupied. We have also agreed a sale of land on another part of the site to an industrial customer. This underpins the cost of our investment in the site but it will take longer to achieve a profit. During the year we acquired a substantial industrial building of 60,000 sq ft at Marsh Barton, Exeter. This was successfully pre-let to Unichem Ltd for whom it is being refurbished.

Devonshire Homes is now a wholly owned subsidiary of LDT, following the purchase of the 40% stake held by its founder, Guy Langworthy. Despite a falling housing market, the company achieved sales of 57 units (2007:78) and made a profit before tax £1,402,259. The commitment of Devonshire Homes to high standards of design and quality was recognised by the Award of Excellence by the NHBC. Because the company has been cautious in its land purchases, I am satisfied that our sites remain profitable, even at lower house sale prices. Great care is being taken to avoid unnecessary build up of stock, while ensuring that potential customers have houses to view.

The Dragon Hotel made a loss of £68,164 for the year. Earnings before interest, depreciation and management charge were £729,166. Against a deteriorating economic background this was a creditable performance, particularly for room revenue. The hotel won an award from the Welsh Tourist Board for the best large hotel in Swansea Bay. Negotiations are now at an advanced stage to extend the hotel's lease to 200 years which will secure its longer term holding cost, but nonetheless the board has decided to make a £250,000 impairment provision because of current market conditions.

Trilogie Corporate Real Estate returned a profit before tax of £191,929 for the year. As reported last year, we now hold 43.7% of the company which was formed out of our former subsidiary CPM together with two similar property management companies. Profit was substantially below budget as a result of reduced fee income but integration has been achieved and the company is now well established and expanding its client base.

Country Homes and Gardens, in which LDT has a £1 million shareholding, has been affected by the recession. The company has substantially reduced its overhead and I believe that the value of our shareholding is still at or above its cost.

The Remuneration Committee under the chairmanship of Michael Heathcoat Amory, examined the entitlement of the directors under the Senior Executive Incentive Scheme. The scheme, designed to reward long term business increases in shareholder value over 9 years, is due to make its first payment, totalling £1,200,785, based on the profits and increase in net assets of the company in the three years to 31 December 2008.

Andrew Feilden retired as a director during the year, having been managing director of LDT from 1984 to 2007. His property knowledge and experience were invaluable in creating today's company.

2008 was a testing time for all our staff. It is in these trading conditions that the true abilities of a company are tested and I thank our staff for the positive way they have responded.

So far, 2009 has seen further tremors in the banking system and a deepening of the recession, in which property is particularly badly affected. Because of our responsible buying policy, the value of our assets has so far held up well despite a marked fall in general property prices. At the year end we owed a £5.1 million loan on the Dragon Hotel, which is comfortably serviced by the hotel's trading performance. The rest of the group held cash of £1.3 million, and also has access to a bank borrowing facility of £6 million which we can draw on to finance future developments and purchases as opportunities arise.

In these conditions the board is conscious of the need to assess risk with particular care. The outlook is very uncertain and company profit will be significantly lower in 2009, but I am confident that the financial position of the company is sound.

DIRECTORS' REPORT

REVIEW OF BUSINESS

The principal activities of the group are residential and commercial property development, property management and hotel development and management.

A full review of the business is contained in the Chairman's statement on page 4.

The board's key performance indicators are revenue, profit and net assets. These are kept regularly under review and changes in these indicators are shown in the financial accounts on pages 8 and 9.

Business risk – The group is subject to risks within the property market and seeks to manage these risks through a diversity of portfolio – hotel, house building, industrial property development, and property consultancy. Returns to shareholders and the group's risk profile are kept under review.

Financial risk – The group is principally financed from retained profits but also makes use of debt funding where necessary. Debt funding is reviewed for appropriate length of facility and interest rate.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation attributable to members of the company as shown in the group consolidated profit and loss account was £1,197,034 (2007: £3,733,714). A dividend was paid during the year of £533,162 (2007: £533,162) (refer to note 5). The directors propose a dividend of 8 pence per share totalling £426,529 (2007: 10 pence per share totalling £533,162).

DIRECTORS

The directors who served during the year were as follows:

Rt. Hon. D P Heathcoat Amory MP (Chairman)
D F Stephenson, MRICS
R A Yorke
M F Heathcoat Amory
Sir Ian Heathcoat Amory Bt
A J Feilden, FRICS (Resigned 29th April 2008)
G C R Langworthy (Resigned 29th April 2008)
P Boros, FRICS
E F Heathcoat Amory

In accordance with the Articles of Association, Rt. Hon. D P Heathcoat Amory and Sir Ian Heathcoat Amory, being eligible, offer themselves for re-election.

All directors have personal indemnity insurance.

DIRECTORS' REPORT (continued)**DONATIONS**

During the year, the group made the following donations:

Charitable £7,750

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and 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 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For each of the persons who were directors at the time this report was prepared, the following applies: so far as the directors are aware, there is no relevant audit information of which the companies' auditors are unaware; and the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the companies' auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS

A resolution to reappoint Bishop Fleming Chartered Accountants as auditors to the company will be proposed at the Annual General Meeting.

On behalf of the Board

R A Yorke
Secretary

23rd April 2009



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LONDON AND DEVONSHIRE TRUST LIMITED

We have audited the group and parent company financial statements (the "financial statements") of London and Devonshire Trust Limited for the year ended 31 December 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross referred from the Business Review section of the Directors' Report.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

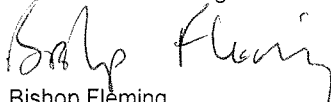
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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 group's and the parent company's affairs as at 31 December 2008 and of the group's profit and cash flows 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 Chairman's statement and Directors' Report is consistent with the financial statements.



Bishop Fleming
Chartered Accountants and Registered Auditors
Bristol
23rd April 2009

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

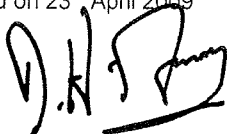
	NOTE	2008 £	2007 £
TURNOVER	1	13,885,525	25,246,841
Cost of development property sold		(7,196,687)	(13,333,264)
Staff costs	2	(3,667,604)	(4,631,378)
Other operating charges		(1,611,467)	(781,191)
GROUP OPERATING PROFIT		1,409,767	6,501,008
Income from associated undertaking	2	111,856	-
Other income		458,138	
Interest receivable		320,171	313,546
Interest payable – group		(530,207)	(226,947)
– associate		(27,983)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,741,742	6,587,607
Taxation	4	(399,177)	(1,764,567)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,342,565	4,823,040
Minority interest	24	(145,531)	(1,089,326)
PROFIT FOR THE FINANCIAL YEAR		1,197,034	3,733,714

All amounts relate to continuing operations.

The company has taken advantage of Section 230 of the Companies Act 1985 not to publish its own profit and loss account.

GROUP AND COMPANY BALANCE SHEET – 31 DECEMBER 2008

	NOTE	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
FIXED ASSETS					
Intangible assets	6	376,155	(322,471)	-	-
Tangible assets	7	7,497,090	7,901,597	108,407	29,410
Investments	8	1,335,677	-	7,294,474	2,469,756
		9,208,922	7,579,126	7,402,881	2,499,166
CURRENT ASSETS					
Stocks	10	16,161,063	11,300,542	6,750,596	2,817,493
Debtors	11	783,551	1,885,792	3,019,577	8,809,309
Investment	9	1,000,000	1,000,000	1,000,000	1,000,000
Cash at bank and in hand		1,345,960	7,201,607	176,880	3,587,906
		19,290,574	21,387,941	10,947,053	16,214,708
CREDITORS (amounts falling due within one year)	12	(2,051,453)	(3,903,063)	(3,446,897)	(3,946,210)
NET CURRENT ASSETS		17,239,121	17,484,878	7,500,156	12,268,498
TOTAL ASSETS LESS CURRENT LIABILITIES		26,448,043	25,064,004	14,903,037	14,767,664
CREDITORS (amount falling due after more than one year)	12	(4,858,453)	(158,196)	-	-
PROVISION FOR LIABILITIES AND CHARGES	13	(1,368,769)	(880,479)	(1,354,486)	(860,000)
NET ASSETS		20,220,821	24,025,329	13,548,551	13,907,664
CAPITAL AND RESERVES					
Called up share capital	14	1,332,904	1,332,904	1,332,904	1,332,904
Share premium account	16	6,083,634	6,083,634	6,083,634	6,083,634
Capital redemption reserve	15	1,835,420	1,835,420	1,835,420	1,835,420
Profit and loss account	17	10,885,697	10,221,825	4,296,593	4,655,706
Equity reserve	19	83,166	41,583	-	-
EQUITY SHAREHOLDERS' FUNDS		20,220,821	19,515,366	13,548,551	13,907,664
Minority interest	24	-	4,509,963	-	-
		20,220,821	24,025,329	13,548,551	13,907,664

Approved by the Board on 23rd April 2009D P Heathcoat Amory
Chairman

R A Yorke
Director


**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	NOTE	2008 £	£	2007 £	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	24		(3,346,863)		8,833,490
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		320,171		313,546	
Interest paid		(530,207)		(226,947)	
Minority dividends paid		(272,514)		(287,142)	
Net cash outflow from returns on investments and servicing of finance			(482,550)		(200,543)
TAXATION					
UK tax paid			(1,128,528)		(1,807,691)
CAPITAL EXPENDITURE					
Purchase of tangible fixed assets		(434,511)		(244,867)	
Sale of tangible fixed assets		78,305		31,758	
Acquisition of subsidiary		-		(1,155,000)	
Share purchase		(5,115,482)		(92,254)	
Net cash outflow from investing activities			(5,471,688)		(1,460,363)
EQUITY DIVIDENDS PAID			(533,162)		(533,162)
FINANCING					
Bank loan		5,500,000		-	
Bank loan repayments		(392,856)		-	
			5,107,144		-
(Decrease)/Increase in cash and cash equivalents			(5,855,647)		4,831,731

**RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008	2007
	£	£
Opening shareholders' funds	19,515,366	16,273,231
Profit for the financial year	1,197,034	3,733,714
Dividend paid	(533,162)	(533,162)
Equity reserve increase in the year	41,583	41,583
Closing shareholders' funds	<u>20,220,821</u>	<u>19,515,366</u>

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost differences

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008**1. ACCOUNTING POLICIES****(1) BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the more important group accounting policies is set out below.

(2) PREPARATION OF GROUP ACCOUNTS AND RELATED PARTY DISCLOSURES

The financial statements include the accounts of the company and all subsidiary undertakings.

The group is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions between group entities.

(3) TURNOVER

Turnover represents development property sales and income derived from hotel operations.

Sales of residential property developments are recognised when the property sale is legally completed.

(4) CAPITALISATION OF INTEREST

Interest incurred on borrowings to finance a commercial property development is capitalised from the date of commencement of development of the property to the date the property is sold or rental payments commence. Interest on residential developments and properties awaiting commercial development is written off as incurred.

(5) INTANGIBLE ASSETS AND ACQUISITIONS

Subsidiary undertakings are incorporated into the financial statements at their fair value from the date of acquisition. Any excess of consideration paid over the fair values of the net assets acquired is capitalised as goodwill and shown under the balance sheet heading 'Intangible Assets' and amortised equally over its expected useful economic life which does not exceed 20 years. Where the acquisition is less than the fair value of the assets acquired, negative goodwill arises. This is carried in the balance sheet and will be written back to the profit and loss account as the assets acquired are disposed of by the group.

The financial results of the subsidiary undertakings acquired during the year are included within the consolidated financial statements from the date of acquisition.

(6) TANGIBLE FIXED ASSETS

All fixed assets are stated at the lower of cost and their net realisable value. Provision is made for depreciation of fixed assets on a straight line basis at rates which the directors consider will provide fairly for the diminution in the value of the assets over their anticipated useful lives, which are as follows:

Leasehold property	50 years
Fixtures, fittings and equipment	4-10 years
Motor vehicles	4 years

Additional provision for impairment is made where the directors consider that the recoverable value of a fixed asset is below historic cost.

(7) LEASED ASSETS

Operating lease payments are charged to the profit and loss account as incurred.

(8) INVESTMENTS

Investments are stated at cost less any provision required for permanent diminution in value. Investment income is accounted for when received.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (continued)

1. ACCOUNTING POLICIES (continued)

(9) STOCKS

Stocks, comprising property development projects including land, are stated at the lower of cost and net realisable value.

(10) DEFERRED TAXATION

The company accounts for taxation which is deferred or accelerated by reason of timing differences which have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax liabilities and assets are not discounted.

(11) PENSIONS

Contributions to the company's pension scheme are charged to the profit and loss account for the period to which they relate.

(12) PROVISIONS

The provision for repairs to houses sold under warranty is estimated based on the historical level of claims. The typical warranty period is 2 years consequently the provision is not discounted.

(13) JOINT ARRANGEMENTS

The group has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The group includes its share of assets, liabilities and cashflows in such joint arrangements, measured in accordance with the terms of each arrangement.

(14) GRANT INCOME

The Dragon Hotel received a government grant which is held as deferred income and is credited to the profit and loss account over the useful economic life of each asset it relates to.

(15) SHARE BASED PAYMENT

Devonshire Homes has issued share options to certain directors which have been classified and have been accounted for as equity settled share based payments in accordance with FRS 20. The fair value of the options has been estimated by the holding company directors and has been accrued over the period between the grant and the date on which the recipients become unconditionally entitled to the shares.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(1) Profit on ordinary activities before taxation is stated after charging / (crediting):

	Company 2008 £	Company 2007 £	Group 2008 £	Group 2007 £
Staff costs (including directors)				
Wages and salaries	1,186,230	1,198,673	3,270,362	4,080,550
Social security costs	81,649	94,345	259,346	380,451
Other pension costs	64,365	50,075	96,313	128,794
Equity-settled share based payment	-	-	41,583	41,583
	<u>1,332,244</u>	<u>1,343,093</u>	<u>3,667,604</u>	<u>4,631,378</u>
Amortisation of goodwill			33,876	-
Depreciation			526,390	562,346
Auditors' remuneration – for audit services			27,040	27,599
Auditors' remuneration – for other services			12,387	23,483
Profit on sale of fixed assets			(65,900)	(18,471)
Bank interest receivable			(320,171)	(313,546)
Interest payable on borrowings repayable within 5 years			530,207	226,947
Interest payable by associated undertaking			27,983	-
Hire of plant and machinery			40,290	40,290
Government grant release			<u>(11,904)</u>	<u>(123,595)</u>

The auditors' remuneration for the holding company, London and Devonshire Trust Limited, for the year amounted to £9,045.

Other Income represents the profit on the disposal of CPM Consulting Limited when it ceased to be a subsidiary and became a 43.7% associated company.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (continued)

- (2) Employees – the average number of persons employed by the group during the year was 118 (2007: 126).
- (3) The costs of employees directly attributable to development sites are first included in work in progress.

3. DIRECTORS' REMUNERATION

	2008	2007
Aggregate directors' remuneration	£	£
- for service as directors	555,107	1,039,926
- pension contributions	54,442	177,585
	<u>609,549</u>	<u>1,217,511</u>
Highest paid director		
- For services as director	193,941	214,087
- Pension contribution	21,690	114,749
	<u>215,631</u>	<u>328,836</u>

Number of directors to whom retirement benefits are accruing under the company's defined contribution pension scheme (note 18) - 3

There is a Senior Executive Incentive Scheme in place payable in 2009 as per provision note 13(2). The three directors that benefit from the scheme are DP Heathcoat Amory, DF Stephenson and R A Yorke.

4. TAXATION

	2008	2007
	£	£
(a) Analysis of charge / (credits) in period		
<i>Current tax</i>		
UK corporation tax on profits of the period	360,950	1,988,329
Share of tax of associated undertakings	45,358	-
Adjustments in respect of previous periods	-	(120,296)
Total current tax	<u>406,308</u>	<u>1,868,033</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(7,131)	(103,466)
Total deferred tax (note 13)	<u>(7,131)</u>	<u>(103,466)</u>
Tax on profit on ordinary activities	<u>399,177</u>	<u>1,764,567</u>

(b) Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK (28.5%). The differences are explained below:-

	2008	2007
	£	£
Profit on ordinary activities before tax	1,741,742	6,587,607
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	496,396	1,976,282
Effects of:		
Expenses not deductible for tax purposes	49,445	148
Depreciation for period in excess of capital allowances	(7,708)	(106,292)
Other timing differences	(3,348)	12,459
Short term timing differences - group	(19,362)	105,732
- associate	(12,927)	-
Revaluation of Associate	(141,546)	-
Adjustments to tax charge in respect of previous periods	-	(120,296)
Current tax charge for period (note 4a)	<u>360,950</u>	<u>1,868,033</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (continued)

5. DIVIDENDS ON ORDINARY SHARES

	2008 £	2007 £
Dividends paid in the year	<u>533,162</u>	<u>533,162</u>

Dividends paid in the year of £533,162 (10 pence per share) are in respect of 2007's profits. The company proposes a dividend of £426,529 (8 pence per share) for the current year which will be payable to shareholders in 2009.

6. INTANGIBLE ASSETS

Intangible assets consist entirely of goodwill arising on either the purchase of companies or business and trade assets.

	Positive £	Negative £	Group Total £
Cost			
At 1 January 2008	267,523	(322,471)	(54,948)
Additions	<u>732,502</u>	<u>-</u>	<u>732,502</u>
At 31 December 2008	<u>1,000,025</u>	<u>(322,471)</u>	<u>677,554</u>
Amortisation			
At 1 January 2008	267,523	-	267,523
Additions	<u>54,938</u>	<u>(21,062)</u>	<u>33,876</u>
At 31 December 2008	<u>322,461</u>	<u>(21,062)</u>	<u>301,399</u>
Net Book Value			
At 31 December 2008	<u>677,564</u>	<u>(301,409)</u>	<u>376,155</u>
At 31 December 2007	<u>-</u>	<u>(322,471)</u>	<u>(322,471)</u>

During the year the company acquired the remaining 40% holding of Devonshire Homes Limited at a total cost of £5,115,482 from Guy Langworthy which gave rise to the positive goodwill of £732,502.

7. TANGIBLE FIXED ASSETS

(1) Movements on fixed assets:

	Leasehold Property £	Plant & Equipment £	Group Total £	Company £
Cost or valuation				
At 1 January 2008	6,622,852	3,374,042	9,996,894	327,532
Additions	174,734	259,777	434,511	105,419
Disposals	-	(836,760)	(836,760)	(25,176)
Impairment	<u>(191,716)</u>	<u>(58,284)</u>	<u>(250,000)</u>	<u>-</u>
At 31 December 2008	<u>6,605,870</u>	<u>2,738,775</u>	<u>9,344,645</u>	<u>407,775</u>
Accumulated depreciation				
At 1 January 2008	383,445	1,711,852	2,095,297	298,122
Charge for year	133,866	392,524	526,390	24,627
Released on disposal	<u>-</u>	<u>(774,132)</u>	<u>(774,132)</u>	<u>(23,381)</u>
At 31 December 2008	<u>517,311</u>	<u>1,330,244</u>	<u>1,847,555</u>	<u>299,368</u>
Net book amount at 31 December 2008	<u>6,088,559</u>	<u>1,408,531</u>	<u>7,497,090</u>	<u>108,407</u>
At 31 December 2007	<u>6,239,407</u>	<u>1,662,190</u>	<u>7,901,597</u>	<u>29,410</u>

The company's fixed assets are plant and equipment only.

The net book value of assets held under finance lease is £11,731 (2007: £18,427). The cost of assets held under finance lease is £31,819 (2007: £31,819).

(2) Capital expenditure commitments:

	Group 2008 £	Group 2007 £
Authorised and contracted for:	<u>38,414</u>	<u>Nil</u>

8 INVESTMENTS - included in fixed assets

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Investment in associate & subsidiary undertakings	1,335,677	-	7,294,474	2,469,756

The company's subsidiaries and associate are listed below. Except where stated below they are wholly owned and are all registered and operate in England.

The principal activity of Devonshire Homes Limited is residential property development. This subsidiary was 100% owned at the year end by the company. Devonshire Homes has 100% of two subsidiaries, Sleeman & Hawken Holdings Limited and its subsidiary, Mason Developments Limited.

The Dragon Hotel Limited is situated in Swansea and is 100% owned by the company.

CPM Consulting Limited has now changed its name to Trilogie Corporate Real Estate Limited. The company now owns 43.7% of Trilogie CRE which is now accounted for as an associate. The principal activity is that of property management and consultancy.

Heathcoat House Limited, Ashby Developments Limited, London and Devonshire Investments Limited, NNR (Projects) Limited, Central and Provincial Management Limited, Riverman Properties Limited and Tophill Press Limited are non-trading.

9. CURRENT ASSET – Investment held for resale

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Current asset investment	1,000,000	1,000,000	1,000,000	1,000,000

The current asset investment represents 1,000,000 'B' ordinary shares in Country Homes and Gardens plc, a 7.74% shareholding. These shares are not quoted and therefore there is no readily ascertainable market value for them. The investment is held at cost, being in the opinion of the directors, the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (continued)

10. STOCKS

Stocks consist of work in progress and comprise the following:

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Land for development – residential and commercial	5,249,894	5,023,902	747,711	941,697
Other costs	10,911,169	6,276,640	6,002,885	1,875,796
	<u>16,161,063</u>	<u>11,300,542</u>	<u>6,750,596</u>	<u>2,817,493</u>

In the opinion of the directors, the current market value of land for development is in excess of cost.

11. DEBTORS

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade debtors	149,933	688,012	10,784	20,699
Amounts owed by subsidiary undertakings	-	-	2,488,094	8,421,447
Other debtors	164,506	386,818	151,291	44,940
Prepayments and accrued income	197,570	546,551	113,228	66,043
Deferred tax asset (note 13)	271,542	264,411	256,180	256,180
	<u>783,551</u>	<u>1,885,792</u>	<u>3,019,577</u>	<u>8,809,309</u>

All debtors are due within one year.

12. CREDITORS – (amounts falling due within one year)

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Bank Loan	392,856	-	-	-
Trade creditors	510,339	1,161,295	50,710	45,673
Amounts owed to subsidiary undertakings	-	-	3,116,228	3,009,907
Finance leases	-	-	-	-
Taxation and social security	83,349	224,537	20,108	59,326
Other creditors	96,192	80,370	41,155	15,764
Accruals and deferred income	844,830	1,397,337	279,900	427,465
Corporation tax payable	123,887	1,039,524	(61,204)	388,075
	<u>2,051,453</u>	<u>3,903,063</u>	<u>3,446,897</u>	<u>3,946,210</u>

CREDITORS – (amounts falling due after more than one year)

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Bank Loan	4,714,288	-	-	-
Finance leases	3,657	9,926	-	-
Accruals and deferred income	140,508	148,270	-	-
	<u>4,858,453</u>	<u>158,196</u>	<u>-</u>	<u>-</u>

During 2007 LDT arranged a revolving credit facility of £6m. Any draw downs on the RCF during 2008 had been repaid by the end of the year. Dragon Hotel Limited has a bank facility of £5.5m that is secured on the assets of the company. In accordance with the terms of the facility, the full £5.5m was drawn down in 2008. In order to mitigate any financial risk the company has in place a base rate collar with a cap strike price at 5.5% and a floor at 3.7%. If the base rate is below 3.7% the rate reverts to 5.5%. The loan is to be reduced to £2.75m and repaid on 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (continued)

13. PROVISION FOR LIABILITIES AND CHARGES

(1) Deferred tax assets have been recognised as follows:

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Timing differences on capital allowances	12,410	2,641	(4,892)	(4,892)
Short-term timing differences	258,000	258,000	258,000	258,000
Pension provision	1,132	3,770	3,072	3,072
	<u>271,542</u>	<u>264,411</u>	<u>256,180</u>	<u>256,180</u>
Deferred tax assets				
Deferred tax asset at 1 January 2008	264,411	160,945	256,180	155,050
Transfer out of Associate	(6,380)	-	-	-
Adjustments relating to Devonshire Homes	13,511	-	-	-
Deferred tax credit in profit and loss account for period	-	103,466	-	101,130
	<u>271,542</u>	<u>264,411</u>	<u>256,180</u>	<u>256,180</u>
Deferred tax asset at 31 December 2008				

(2) Other provisions

	Maintenance Provision		Incentive Scheme		Total	
	Group £	Company £	Group £	Company £	Group £	Company £
At 1 January 2008	20,479	-	860,000	860,000	880,479	860,000
Charged to profit & loss	11,400	-	494,486	494,486	505,886	494,486
Utilised	(17,596)	-	-	-	(17,596)	-
	<u>14,283</u>	<u>-</u>	<u>1,354,486</u>	<u>1,354,486</u>	<u>1,368,769</u>	<u>1,354,486</u>
At 31 December 2008						

The maintenance provision represents the group's estimated liability to repair houses sold under warranty. It is based on the historical level of claims / expenditure on houses sold during the year.

The Senior Executive Incentive Scheme for the directors is payable in 2009. The amount payable is based on growth in the group's net assets and profits over the period 2006 to 2008. The provision of £494,486 reflects the amount accruing in respect of 2008's performance.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (continued)

14. CALLED UP SHARE CAPITAL

	2008 Number	2007 Number	2008 £	2007 £
Authorised:				
Ordinary shares of 25p each	16,800,000	16,800,000	4,200,000	4,200,000
Alotted and fully paid:				
Ordinary shares of 25p each	5,331,615	5,331,615	1,332,904	1,332,904

15. CAPITAL REDEMPTION RESERVE

	Group £	Company £
At 31 December 2007 and 2008	1,835,420	1,835,420

16. SHARE PREMIUM

	Group £	Company £
At 31 December 2007 and 31 December 2008	6,083,634	6,083,634

17. PROFIT AND LOSS ACCOUNT

	Group £	Company £
Movement on profit & loss account:		
At 1 January 2008	10,221,825	4,655,706
Profit/(loss) for the year	1,197,034	(237,303)
Dividend	(533,162)	(121,810)
At 31 December 2008	10,885,697	4,296,593

18. PENSION COMMITMENTS

The company contributes to an approved personal pension scheme. The scheme covers the majority of the employees. Contributions to the scheme are charged against profit in the year in which they are incurred. Contributions are invested to accumulate capital sums to provide the members with retirement and death benefits. The benefits which each member will receive at retirement depend upon the size of his or her capital sum and the financial conditions prevailing at the time. There are therefore no unfunded actuarial liabilities of the scheme. The amount contributed to the pension scheme was £96,313 (2007: £128,794).

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (continued)

19. EQUITY RESERVE

	2008 £	2007 £
At 1 January 2008	41,583	-
Equity-settled share-based payments	41,583	41,583
At 31 December 2008	<u>83,166</u>	<u>41,583</u>

In May 2007 a share option scheme was established for a director of Devonshire Homes Limited giving him the option after a period of five years to purchase 5% of that company's share capital at a price of £98.38 per share. The equity reserve has therefore been established in respect of these equity settled share based payments.

There has been an issue of 3% share options to 3 directors of Devonshire Homes Limited at a price of £98.38 in 2008. In the opinion of the directors, these are not considered to be above the option price by the date of exercise and hence no provision has been made to equity reserve in respect of them.

20. FINANCIAL COMMITMENTS

As at 31 December 2008 the group had annual commitments under operating leases in relation to land and buildings expiring as follows:

	2008 £	2007 £
Within one year	-	-
Within two years	-	-
Within two-five years	194,785	204,385
After five years	<u>54,500</u>	<u>54,500</u>
Total	<u>249,285</u>	<u>258,885</u>

21. RELATED PARTY TRANSACTIONS

- (1) GCR Langworthy, who resigned as a director in the year and is no longer a shareholder of Devonshire Homes Limited, had the following related party transactions in the year:

In March 2008 the company purchased the 40% holding in Devonshire Homes Limited held by GCR Langworthy for £4,870,898.

GCR Langworthy has a five-year lease agreement to provide office and storage facilities to Devonshire Homes Limited, at a cost of £39,000 per annum, which commenced on 1 October 2006.

Devonshire Homes Limited paid £14,531 to Pyramid Marketing in respect of marketing services performed in the year, to which H Langworthy (wife of GCR Langworthy) is a related party.

- (2) During 2008 the company carried out a number of transactions with its associated company, Trilogie Corporate Real Estate Limited, in the normal course of business and on an arm's length basis.

The company provided administration services at a cost of £42,583 during the course of the year.

Trilogie Corporate Real Estate invoiced the company amounts of £51,171 as follows:

Sale of fixed assets	£22,000
Provision of administration services	£8,883
Fees for projects	£20,288

Amounts owed to the company by the associate at the year end were £324.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (continued)

22. CONTINGENT LIABILITIES

At 31 December 2008, the group had agreed to indemnities totalling £670,302 in respect of performance bonds.

23. NOTES TO THE GROUP CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET CASH
INFLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	1,409,767	6,501,008
Depreciation	526,390	562,346
Amortisation of goodwill	33,876	-
Impairment of fixed assets	250,000	-
Profit from sale of fixed assets	(65,900)	(18,471)
(Increase) / decrease in stocks	(4,860,521)	1,278,802
Decrease/ (increase) in debtors	961,318	(418,540)
Increase / (decrease) in creditors	(854,575)	727,322
Equity based share payment	41,583	41,583
Cash acquired on acquisition of subsidiary	-	159,440
Redefining of subsidiary as an associate	(788,801)	-
Net cash inflow from operating activities	<u>(3,346,863)</u>	<u>8,833,490</u>

ANALYSIS OF CHANGES IN NET CASH

	01/01/08 £	Cashflow £	31/12/08 £
Cash at bank	7,201,607	(5,855,647)	1,345,960
	<u>7,201,607</u>	<u>(5,855,647)</u>	<u>1,345,960</u>
TOTAL	<u>7,201,607</u>	<u>(5,855,647)</u>	<u>1,345,960</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2008 £
Net decrease in cash in the period	(5,855,647)
Change in net cash resulting from cash flow	<u>(5,855,647)</u>
Net cash at 1 January 2008	<u>7,201,607</u>
Net cash at 31 December 2008	<u>1,345,960</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008 (continued)

24. MINORITY INTEREST

	2008
	£
Shares allotted and fully paid	-
	<u>-</u>
Share of reserves 1 January 2008	4,509,963
Share of profit for the year	145,531
Dividend payable to Minority Interest	-
Disposal of Minority Interest	<u>(4,655,494)</u>
Share of reserves at 31 December 2008	-
At 31 December 2008	<u>-</u>