

DIRECTORS' REPORT AND ACCOUNTS 2009

REGISTERED COMPANY NUMBER 1784931

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BOARD OF DIRECTORS

Rt. Hon. D P Heathcoat Amory MP
D F Stephenson
R A Yorke (Resigned 30th June 2009)
D J I Milne (Appointed 9th June 2009)
M F Heathcoat Amory
Sir Ian Heathcoat Amory Bt
P Boros
E F Heathcoat Amory

Chairman
Managing Director
Finance Director
Finance Director

SECRETARY

R A Yorke (Resigned 30th June 2009)
D J I Milne (Appointed 1st July 2009)

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

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	44%

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty sixth Annual General Meeting of London and Devonshire Trust Limited will be held at 12:45 on 7th June 2010 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 2009.
2. To re-elect two directors.
3. 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.'
4. 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.

D J I Milne
Secretary
20th April 2010

The Island
Lowman Green
Tiverton
Devon EX16 4LA

CHAIRMAN'S STATEMENT

During 2009 the national economy shrunk by 5% and all aspects of property were affected by this recession. Against this background, the LDT group did well to make a profit of £591,656.

Profit after tax was £281,777 and the board recommended a dividend of 6p per share, compared with 8p for the previous year. Both these dividends were paid during the year. An overview of the performance of the main trading entities of the group and its investments is shown below.

LDT completed on the sale of the industrial building at Marsh Barton, Exeter, in July. Because we had secured a pre-letting to Alliance Healthcare, the majority of the profit was reported in 2008, however it is pleasing that a small amount of additional profit was reported this year despite the general fall in commercial property values. At Mid Devon Business Park, we completed the development of the small industrial units comprising Ethmar Court, which were almost all let or sold during the year. Industrial demand for units is subdued, in line with the economy, but there is sufficient interest to justify the construction of the next phase, named Highmount Court, comprising four 3,200 sq ft units. This is now under way with completion due in June 2010 and it is already 50% pre-let. In the last quarter of the year we acquired an 86,000 sq ft industrial building, One Portbury near Bristol, for refurbishment and letting.

Devonshire Homes, our wholly owned house building subsidiary, sold 54 units during the year and made a profit before tax of £1,405,812. This was an impressive performance during a year in which national house prices fell during the early part of the year before recovering somewhat in the second half. The company has a satisfactory land bank, mainly of sites under option, and also has the resources to buy new sites as opportunities arise. The quality of Devonshire Homes was recognised by winning NHBC awards for 'Pride in the Job' and 'Seal of Excellence' for two sites; and Moorhayes Park was selected as regional winner for the second year running.

The Dragon Hotel, in line with the rest of its sector, continues to face difficult trading conditions. It made a loss of £164,979, but it is cash generative and well able to service the loan used to acquire and refurbish it. Costs are carefully controlled, service standards are high, and negotiations are still on track to extend the land lease on which it is based. As a prudent measure, we have written down the capital value of the hotel by a further £250,000.

Trilogie Corporate Real Estate, of which LDT owns 44%, made a profit before tax of £257,181, which was an advance on the previous year of £191,929, but below its budget for the year. Trilogie has recently streamlined its board, and is actively looking for new clients in property management, development and consulting in order to reach its growth targets.

Country Homes and Gardens, in which LDT has a £1 million investment, had a profitable year's trading which more than adequately supports the value of our shares.

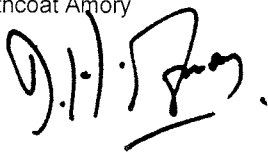
Bob Yorke retired as finance director during the year, after 25 years with the company. He made a great contribution to the growth and profitability of the group. He is succeeded by Darren Milne, who joins the company with an excellent record in property related businesses.

Although the economy is now reported to be growing modestly, there is still a substantial overhang of debt in the property sector. The national debt too is forecast to rise, on the government's own figures, to £1.4 trillion in five year's time. Tackling this will require painful expenditure cuts which in turn will affect demand. In these conditions I do not expect profits to rise over the next year or two.

LDT has low borrowings and a bank credit facility of £6 million which is at present unused. We are therefore well placed to take advantage of buying opportunities as they arise, and we have the proven expertise to manage, develop and sell in a competitive market.

Finally, a recession puts an additional strain on employees, and I am grateful to the way our employees across the group have worked to secure the group and its future.

David Heathcoat Amory



20 April 2010

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, net assets and cash balances. 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 diverse of portfolio including a 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 £281,777 (2008: £1,197,034). The total dividend paid during the year was £746,426, of which £426,529 relates to 2008's results and £319,897 for 2009 (2008: A dividend of £533,162 was paid relating to 2007's result) (refer to note 5).

DIRECTORS

The directors who served during the year were as follows:

Rt. Hon. D P Heathcoat Amory MP (Chairman)
D F Stephenson
R A Yorke (Retired 30th June 2009)
D J I Milne (Appointed 9th June 2009)
M F Heathcoat Amory
Sir Ian Heathcoat Amory Bt
P Boros
E F Heathcoat Amory

In accordance with the Articles of Association, D F Stephenson and P Boros, 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 £510

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 2006. 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.

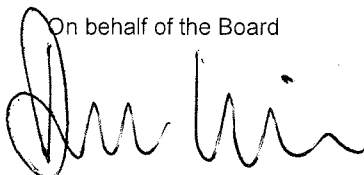
For each of the persons who were directors at the time this report was prepared, the following applies: so far as the directors are aware, there is no relevant audit information of which the companies' auditors are unaware; and the directors have taken all steps that they ought to have taken as directors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



D J I Milne
Secretary

20th April 2010

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 2009, set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

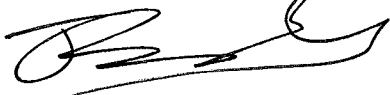
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Joseph Scaife FCA (Senior Statutory Auditor)
for and on behalf of
BISHOP FLEMING
Chartered Accountants
Statutory Auditors
16 Queen Square
Bristol
BS1 4NT

Date: 30/4/10

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Note</i>	2009 £	2008 £
TURNOVER	1	17,996,235	13,885,525
Cost of development property sold		(11,991,301)	(7,196,687)
Staff costs	2	(3,043,049)	(3,667,604)
Other operating charges		(2,287,606)	(1,611,467)
GROUP OPERATING PROFIT		674,279	1,409,767
Income from associated undertaking		129,422	111,856
Other income		9,693	458,138
Interest receivable		69,761	320,171
Interest payable – group		(274,465)	(530,207)
– associate		(17,034)	(27,983)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	591,656	1,741,742
Taxation	4	(309,879)	(399,177)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		281,777	1,342,565
Minority interest		-	(145,531)
PROFIT FOR THE FINANCIAL YEAR		281,777	1,197,034

All amounts relate to continuing operations.

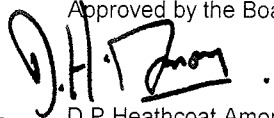
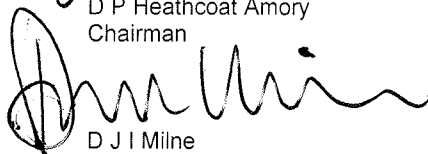
The company has taken advantage of the exemption contained within Section 408 of the Companies Act 2006 not to publish its own profit and loss account.

GROUP AND COMPANY BALANCE SHEET – 31 DECEMBER 2009

Registered Number: 1784931

	Note	GROUP 2009 £	GROUP 2008 £	COMPANY 2009 £	COMPANY 2008 £
FIXED ASSETS					
Intangible assets	6	477,951	376,155	-	-
Tangible assets	7	6,950,546	7,497,090	119,554	108,407
Investments	8	1,405,968	1,335,677	6,441,091	7,294,474
		8,834,465	9,208,922	6,560,645	7,402,881
CURRENT ASSETS					
Stocks	10	14,324,528	16,161,063	7,568,828	6,750,596
Debtors	11	1,031,634	783,551	3,193,983	3,019,577
Investment	9	1,000,000	1,000,000	1,000,000	1,000,000
Cash at bank and in hand		1,449,747	1,345,960	286,266	176,880
		17,805,909	19,290,574	12,049,077	10,947,053
CREDITORS (amounts falling due within one year)	12	(2,310,794)	(2,051,453)	(5,031,865)	(3,446,897)
NET CURRENT ASSETS		15,495,115	17,239,121	7,017,212	7,500,156
TOTAL ASSETS LESS CURRENT LIABILITIES		24,329,580	26,448,043	13,577,857	14,903,037
CREDITORS (amount falling due after more than one year)	12	(4,536,652)	(4,858,453)	(80,413)	-
PROVISION FOR LIABILITIES AND CHARGES	13	(10,767)	(1,368,769)	-	(1,354,486)
NET ASSETS		19,782,161	20,220,821	13,497,444	13,548,551
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	10,421,048	10,885,697	4,245,486	4,296,593
Equity reserve	19	109,155	83,166	-	-
EQUITY SHAREHOLDERS' FUNDS		19,782,161	20,220,821	13,497,444	13,548,551

Approved by the Board on 20th April 2010


D P Heathcoat Amory
Chairman

D J I Milne
Director

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<i>Note</i>	2009		2008	
		£	£	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	22		2,043,661		(3,346,863)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		69,761		320,171	
Interest paid		(291,499)		(530,207)	
Other Income		9,693		-	
Minority dividends paid		-		(272,514)	
Net cash outflow from returns on investments and servicing of finance			<u>(212,045)</u>		<u>(482,550)</u>
TAXATION					
UK tax paid			(393,248)		(1,128,528)
CAPITAL EXPENDITURE					
Purchase of tangible fixed assets		(252,845)		(434,511)	
Sale of tangible fixed assets		57,546		78,305	
Share purchase		-		(5,115,482)	
Net cash outflow from investing activities			<u>(195,299)</u>		<u>(5,471,688)</u>
EQUITY DIVIDENDS PAID			(746,426)		(533,162)
FINANCING					
Bank loan		-		5,500,000	
Bank loan repayments		(392,856)		(392,856)	
			<u>(392,856)</u>		<u>5,107,144</u>
Increase/(decrease) in cash and cash equivalents			<u>103,787</u>		<u>(5,855,647)</u>

**RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £	2008 £
Opening shareholders' funds	20,220,821	19,515,366
Profit for the financial year	281,777	1,197,034
Dividends paid	(746,426)	(533,162)
Equity reserve increase in the year	25,989	41,583
Closing shareholders' funds	19,782,161	20,220,821

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 2009

1. ACCOUNTING POLICIES**a) BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. A summary of the more important group accounting policies is set out below.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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.

g) LEASED ASSETS

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

h) 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 2009 (continued)

1. ACCOUNTING POLICIES (continued)

i) STOCKS

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

j) 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.

k) PENSIONS

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

l) 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.

m) 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 cash flows in such joint arrangements, measured in accordance with the terms of each arrangement.

n) GRANT INCOME

The Dragon Hotel has received grant funding 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.

o) 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

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

	2009 £	Group 2008 £
Staff costs (including directors)		
Wages and salaries	2,673,874	3,270,362
Social security costs	256,073	259,346
Other pension costs	87,113	96,313
Equity-settled share based payment	25,989	41,583
	3,043,049	3,667,604
Amortisation of goodwill	(101,796)	33,876
Depreciation	515,713	526,390
Auditors' remuneration – for audit services	29,058	27,040
Auditors' remuneration – for other services	6,250	12,387
Loss/(Profit) on sale of fixed assets	6,487	(65,900)
Bank interest receivable	(69,761)	(320,171)
Interest payable on borrowings repayable within 5 years	274,464	530,207
Interest payable by associated undertaking	17,034	27,983
Hire of plant and machinery	40,290	40,290
Government grant release	(11,904)	(11,904)

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (continued)

- b) Employees – the average number of persons employed by the group during the year was 154 (2008: 155).
- c) The costs of employees directly attributable to development sites are first included in work in progress.

3. DIRECTORS' REMUNERATION

	2009 £	2008 £
Aggregate directors' remuneration		
- for service as directors	483,755	555,107
- pension contributions	44,533	54,442
	<u>528,288</u>	<u>609,549</u>
Highest paid director		
- For services as director	164,613	193,941
- Pension contribution	18,450	21,690
	<u>183,063</u>	<u>215,631</u>

There is a Senior Executive Incentive Scheme in place payable in 2012 as per provision note 13(2). The three directors that benefit from the scheme are DP Heathcoat Amory, DF Stephenson and D J I Milne. No provisions are required for the year.

4. TAXATION

	2009 £	2008 £
a) Analysis of charge / (credits) in period		
<i>Current tax</i>		
UK corporation tax on profits of the period	40,024	360,950
Share of tax of associated undertakings	42,097	45,358
Adjustments in respect of previous periods	(26,625)	-
Total current tax	<u>55,496</u>	<u>406,308</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	254,383	(7,131)
Total deferred tax (note 13)	<u>254,383</u>	<u>(7,131)</u>
Tax on profit on ordinary activities	<u>309,879</u>	<u>399,177</u>

b) Factors affecting tax charge for period

The tax assessed for the period is different to the small companies' rate of corporation tax in the UK of 21% (2008: standard rate of 28.5%). The differences are explained below:-

	2009 £	2008 £
Profit on ordinary activities before tax	591,656	1,741,742
Profit on ordinary activities multiplied by small companies' of corporation tax in the UK of 21% (2008: 28.5%)	124,248	496,396
Effects of:		
Expenses not deductible for tax purposes	(177,070)	49,445
Depreciation for period in excess of capital allowances	8,187	(7,708)
Other timing differences	128,273	(3,348)
Short term timing differences – group	(5,801)	(19,362)
– associate	4,284	(12,927)
Share of tax relating to associate	(42,097)	(141,546)
Current tax charge on profit for period (note 4a)	<u>40,024</u>	<u>360,950</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (continued)

5. DIVIDENDS ON ORDINARY SHARES

	2009	2008
£	£	£
Dividends paid in the year:		
Dividends in relation to 2008	426,529	
Dividends in relation to 2009	319,897	
Total dividends paid in the year	746,426	533,162

Dividends paid in the year of £426,529 (8 pence per share) are in respect of 2008's profits. The company paid a further dividend during the year of £319,897 (6 pence per share) in respect of 2009 profits.

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 2009	1,000,025	(322,471)	677,554
Disposal	(267,523)	27,623	(239,900)
At 31 December 2009	732,502	(294,848)	437,654
Amortisation			
At 1 January 2009	322,461	(21,062)	301,399
Disposal	(267,523)	27,623	(239,900)
Charge for the year	73,250	(175,046)	(101,796)
At 31 December 2009	128,188	(168,485)	(40,297)
Net Book Value			
At 31 December 2009	604,314	(126,363)	477,951
At 31 December 2008	677,564	(301,409)	376,155

7. TANGIBLE FIXED ASSETS

a) Movements on fixed assets:

	Leasehold Property £	Plant & Equipment £	Group Total £	Company £
Cost or valuation				
At 1 January 2009	6,605,870	2,738,775	9,344,645	407,775
Additions	43,124	209,721	252,845	43,320
Disposals	(4,355)	(140,010)	(144,365)	(1,220)
Impairment	(189,937)	(60,063)	(250,000)	-
At 31 December 2009	6,454,702	2,748,423	9,203,125	449,875
Accumulated depreciation				
At 1 January 2009	517,311	1,330,244	1,847,555	299,368
Charge for year	131,964	383,749	515,713	32,173
Released on disposal	(440)	(110,249)	(110,689)	(1,220)
At 31 December 2009	648,835	1,603,744	2,252,579	330,321
Net book amount at 31 December 2009	5,805,867	1,144,679	6,950,546	119,554
Net book amount at 31 December 2008	6,088,559	1,408,531	7,497,090	108,407

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

The net book value of assets held under finance lease is £3,919 (2008: £11,731). The cost of assets held under finance lease is £31,819 (2008: £31,819).

b) Capital expenditure commitments:

	2009 £	Group 2008 £
Authorised and contracted for:	<u>51,907</u>	<u>38,414</u>

8 INVESTMENTS – included in fixed assets

	2009 £	Group 2008 £	2009 £	Company 2008 £
Investment in associate & subsidiary undertakings	<u>1,405,968</u>	<u>1,335,677</u>	<u>6,441,091</u>	<u>7,294,474</u>

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.

The company owns 44% of Trilogie CRE whose principal activity is that of property management and consultancy.

Heathcoat House Limited, Ashby Developments Limited, London and Devonshire Investments Limited, NNR (Projects) Limited, Riverman Properties Limited and Tophill Press Limited have all been struck off in the year.

Central and Provincial Management Limited is non trading.

9. CURRENT ASSET – Investment held for resale

	2009 £	Group 2008 £	2009 £	Company 2008 £
Current asset investment	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

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 2009 (continued)

10. STOCKS

Stocks consist of work in progress and comprise the following:

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Land for development – residential and commercial	3,030,808	5,249,894	553,000	747,711
Other costs	11,293,720	10,911,169	7,015,828	6,002,885
	<u>14,324,528</u>	<u>16,161,063</u>	<u>7,568,828</u>	<u>6,750,596</u>

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

11. DEBTORS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Trade debtors	165,197	149,933	11,886	10,784
Amounts owed by subsidiary undertakings	-	-	2,484,964	2,488,094
Other debtors	644,548	164,506	582,286	151,291
Prepayments and accrued income	204,730	197,570	121,287	113,228
Deferred tax asset (note 13)	17,159	271,542	(6,440)	256,180
	<u>1,031,634</u>	<u>783,551</u>	<u>3,193,983</u>	<u>3,019,577</u>

Within trade debtors, £57,000 are due after more than one year.

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

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank Loan	392,856	392,856	-	-
Trade creditors	772,585	510,339	127,219	50,710
Amounts owed to subsidiary undertakings	-	-	4,480,428	3,116,228
Taxation and social security	101,238	83,349	32,740	20,108
Other creditors	506,451	96,192	250,026	41,155
Accruals	477,034	828,774	120,452	279,900
Deferred Grant Income	20,112	16,056	-	-
Corporation tax payable	40,518	123,887	21,000	(61,204)
	<u>2,310,794</u>	<u>2,051,453</u>	<u>5,031,865</u>	<u>3,446,897</u>

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

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank Loan	4,321,432	4,714,288	-	-
Finance leases	-	3,657	-	-
Accruals	80,413	-	80,413	-
Deferred Grant Income	134,807	140,508	-	-
	<u>4,536,652</u>	<u>4,858,453</u>	<u>80,413</u>	<u>-</u>

During 2007 LDT arranged a revolving credit facility (RCF) of £6m. Any draw downs on the RCF during 2009 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 entered into a base rate swap on 31 January 2010 at a rate of 2.3% on £2m for 2 years, dropping to £1m for a 3rd year. This replaced the previous base rate collar with a cap strike price at 5.5% and a floor at 3.7%. The loan is to be reduced to £2.75m and repaid on 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (continued)

13. PROVISION FOR LIABILITIES AND CHARGES

a) Deferred tax assets have been recognised as follows:

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Timing differences on capital allowances	(4,278)	12,410	(4,203)	(4,892)
Short-term timing differences	19,777	258,000	(2,237)	258,000
Pension provision	1,660	1,132	-	3,072
Deferred tax assets	17,159	271,542	(6,440)	256,180
Deferred tax asset at 1 January 2009	271,542	264,411	256,180	256,180
Transfer out of Associate	-	(6,380)	-	-
Adjustments relating to Devonshire Homes	-	13,511	(262,620)	-
Deferred tax credit in profit and loss account for period	(254,383)	-	-	-
Deferred tax asset at 31 December 2009	17,159	271,542	(6,440)	256,180

b) Other provisions

	Maintenance Provision		Incentive Scheme		Total	
	Group £	Company £	Group £	Company £	Group £	Company £
At 1 January 2009	14,283	-	1,354,486	1,354,486	1,368,769	1,354,486
Charged to profit & loss	10,800	-	-	-	10,800	-
Utilised	(14,316)	-	(1,354,486)	(1,354,486)	(1,368,802)	(1,354,486)
At 31 December 2009	10,767	-	-	-	10,767	-

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.

14. CALLED UP SHARE CAPITAL

	2009 Number	2008 Number	2009 £	2008 £
Allotted 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 2008 and 2009	1,835,420	1,835,420

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2009 (continued)

16. SHARE PREMIUM

	Group £	Company £
At 31 December 2008 and 31 December 2009	<u>6,083,634</u>	<u>6,083,634</u>

17. PROFIT AND LOSS ACCOUNT

Movement on profit & loss account:	Group £	Company £
At 1 January 2009	10,885,697	4,296,593
Profit for the year	281,777	295,319
Dividend paid (see note 5)	(746,426)	(746,426)
Dividend received	-	400,000
At 31 December 2009	<u>10,421,048</u>	<u>4,245,486</u>

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 £87,113 (2008: £96,313).

19. EQUITY RESERVE

	2009 £	2008 £
At 1 January 2009	83,166	41,583
Equity-settled share-based payments	<u>25,989</u>	<u>41,583</u>
At 31 December 2009	<u>109,155</u>	<u>83,166</u>

In May 2007 a share option scheme was established for certain directors of Devonshire Homes Limited giving them the option after a period of five years to purchase 8% 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. Further to a director leaving the company after the year end, options now exist over 7% of the company's share capital and the equity reserve has been adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

20. FINANCIAL COMMITMENTS

As at 31 December 2009 the group had annual commitments under operating leases in relation to land and buildings expiring as follows:

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Within one year	61,507	-	9,600	-
Within two-five years	186,787	194,785	147,787	155,785
After five years	54,500	54,500	-	-
Total	302,794	249,285	157,387	155,785

21. CONTINGENT LIABILITIES

At 31 December 2009, the group had agreed to indemnities totalling £576,322 in respect of performance bonds.

22. NOTES TO THE GROUP CASH FLOW STATEMENT

a) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009	2008
	£	£
Operating profit	674,279	1,409,767
Depreciation	515,713	526,390
Amortisation of goodwill	(101,796)	33,876
Impairment of fixed assets	250,000	250,000
Profit from sale of fixed assets	(23,870)	(65,900)
Decrease/(increase) in stocks	1,836,535	(4,860,521)
(Increase) / decrease in debtors	(248,083)	961,318
Increase in creditors	(944,237)	(854,575)
Equity based share payment	25,989	41,583
Associate undertaking	59,131	(788,801)
Net cash inflow from operating activities	2,043,661	(3,346,863)

b) ANALYSIS OF CHANGES IN NET CASH

	01/01/09	Cash flow	31/12/09
	£	£	£
Cash at bank	1,345,960	103,787	1,449,747
TOTAL	1,345,960	103,787	1,449,747

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

c) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2009 £
Increase in cash in the period	<u>103,787</u>
Change in net cash resulting from cash flow:	
Net cash at 1 January 2009	<u>1,345,960</u>
Net cash at 31 December 2009	<u><u>1,449,747</u></u>

23. RELATED PARTY TRANSACTIONS

During 2009 the company carried out a number of transactions with its associated company, Trilogie Corporate Real Estate Limited, in the normal course of the business and on an arm's length basis.

Trilogie invoiced the company amounts of £16,679 as follows:

	2009 £	2008 £
Sale of fixed assets	-	22,000
Provision of administration services	12,140	8,883
Fees for projects	4,253	20,288
Travel expenses	<u>287</u>	<u>-</u>

The company provided administration services at a cost of £3,828 (2008: £42,583).

At the year end Trilogie CRE owed £Nil (2008: £324).