

A. BAILY AND COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2010

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A. BAILY AND COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS	PAGE
Index	1
Directors' Report	2-3
Report of the Auditors	4
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the financial statements	9-11

A. BAILY AND COMPANY LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 30 June 2010

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was investment in property

RESULTS AND DIVIDENDS

The loss for the year amounted to £627 The directors do not recommend a dividend

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise bank balances and loans from the parent company.

Due to the nature of the financial instruments used by the company there is no exposure to price risk The company's approach to managing other risks applicable to the financial instruments concerned is shown below

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and the company's outgoings

In respect of loans these comprise loans from the parent company, these loans are interest free and repayable on demand

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

DIRECTORS

The directors who served the company during the year were as follows:

A.D Stalbow M A (Cantab)
J.H J Lewis O B E
R. Mayers

Mr A.D Stalbow and Mr J H.J. Lewis are also directors of the ultimate parent company Morlands Holdings Limited Their interests in that company are not required to be recorded in the register of director's interests in this company

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Director's Report and the financial statements in accordance with the 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to.

- select suitable accounting policies and the apply them consistently;
- make judgments and estimates that are reasonable and prudent,

A. BAILY AND COMPANY LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES (continued)

- 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

Gerald Kreditor & Co offer themselves for reappointment as auditor in accordance with section 489 of the Companies Act 2006.

Signed by order of the Board



P Georgiou
Company Secretary

Approved by the directors on 20 October 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A. BAILY AND COMPANY LIMITED

We have audited the financial statements of A. Baily and Company Limited for the year ended 30 June 2010. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's shareholders, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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 shareholders 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 Directors' Responsibilities Statement set out on pages 1 and 2, 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 (APB'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 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 the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its loss 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 matters 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A. BAILY AND COMPANY LIMITED

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 require us to report to you if, in our opinion

- adequate accounting records have not been kept, 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

Michael Rosen (Senior Statutory Auditor)
For and on behalf of
GERALD KREDITOR & CO
Chartered Accountants and Statutory Auditors
Hallswelle House, 1 Hallswelle Road, London NW11 0DH

20 October 2010

A. BAILY AND COMPANY LIMITED

Profit and Loss Account for the year ended 30 June 2010

	Notes	2010 £	2009 £
Administrative and other operating expenses		<u>627</u>	<u>562</u>
Operating loss before taxation	2	<u>(627)</u>	<u>(562)</u>
Interest receivable	3	-	20
Loss on ordinary activities before taxation		<u>(627)</u>	<u>(542)</u>
Taxation		-	(139)
Loss on ordinary activities after taxation		<u>(627)</u>	<u>(681)</u>
Retained loss for the year		<u>(627)</u>	<u>(681)</u>

None of the company's activities were acquired or discontinued during the above two financial years.

The notes on pages 9 to 11 form part of these financial statements

A. BAILY AND COMPANY LIMITED

Balance Sheet as at 30 June 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	5	500	500
Current assets			
Debtors	6	92	164
Cash at bank and in hand		<u>10,211</u>	<u>6,930</u>
		10,303	7,094
Creditors amounts falling due within one year	7	<u>1,202,219</u>	<u>1,198,383</u>
Net current liabilities		<u>(1,191,916)</u>	<u>(1,198,289)</u>
		(1,191,416)	(1,197,789)
Creditors: amounts falling due after more than one year			
	8	(25,139)	(25,139)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,216,555)</u>	<u>(1,215,928)</u>
CAPITAL AND RESERVES			
Called-up share capital	9	70,000	70,000
Profit and loss account	10	(1,287,054)	(1,286,427)
Revaluation reserve	11	499	499
SHAREHOLDER FUNDS		<u>(1,216,555)</u>	<u>(1,215,928)</u>

These financial statements were approved by the board and authorised for issue on 20 October 2010, and are signed on their behalf by:



A D. Stalbow
Director



J H J Lewis
Director

Company Registration Number 104637

The notes on pages 9 to 11 form part of these financial statements

A. BAILY AND COMPANY LIMITED

Cash flow statement for the year ended 30 June 2010

	2010	2009
Reconciliation of operating profit to net cash outflows from operating activities		
	£	£
Operating loss	(627)	(562)
(Decrease) / (increase) in debtors	72	(91)
Increase in creditors	3,836	4,421
Net cash inflows from operations	<u>3,281</u>	<u>3,769</u>
Cash flow statement		
	£	£
Net cash inflows from operations	3,281	3,769
Returns on investments and servicing of finance	-	20
Increase in cash	<u>3,281</u>	<u>3,789</u>
Reconciliation of net cash flow to movement in net monetary funds		
	£	£
Increase in cash	3,281	3,789
Balance as at 1 July 2009	<u>6,930</u>	<u>3,141</u>
Balance as at 30 June 2010	<u>10,210</u>	<u>6,930</u>

The notes on pages 9 to 11 form part of these financial statements

A. BAILY AND COMPANY LIMITED

Notes to the financial statements for the year ended 30 June 2010

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the UK Financial Reporting Standards.

Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the Balance Sheet date, except otherwise required by Financial Reporting Standard No.19.

Investment property

In accordance with Statement of Standard Accounting Practice No 19, the value of the company's investment properties as stated in the financial statements is reviewed so that such properties are stated at their open market value.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

2. OPERATING LOSSES

	2010 £	2009 £
The operating profit is stated after charging the following:-		
Auditor's remuneration – audit services	<u>350</u>	<u>350</u>

3. INTEREST RECEIVABLE

	£	£
Bank interest	<u>-</u>	<u>20</u>

4. TAXATION

No corporation tax is payable for the year by virtue of operating loss and group relief losses available.

5. FIXED ASSETS

	Freehold land £
As at 1 July 2009 and 30 June 2010	<u>500</u>

The company's investment property was last professionally revalued during the year ended 30 June 2006. The directors are of the opinion that the open market values of this investment property does not vary significantly from the amount stated in the financial statements as at 30 June 2010.

A. BAILY AND COMPANY LIMITED

Notes to the financial statements for the year ended 30 June 2010

6. DEBTORS

	2010 £	2009 £
Other debtors	<u>92</u>	<u>164</u>

7. CREDITORS: Amounts falling due within one year

	£	£
Amounts due to parent undertaking	1,201,869	1,198,033
Accruals	<u>350</u>	<u>350</u>
	<u>1,202,219</u>	<u>1,198,383</u>

8. CREDITORS: Amounts falling due after more than one year

	£	£
Deferred tax	139	139
5% Preference shares of £1 each	<u>25,000</u>	<u>25,000</u>
	<u>25,139</u>	<u>25,139</u>

The 5 per cent. preference shares confer upon the holder the right in priority to any payment of dividend on any other class of shares to receive a fixed cumulative preference dividend of 5 per cent per annum together with associated tax credit

In a winding up or other return of capital, assets available for distribution shall be applied in priority to any payment in respect of any other class of shares in paying to the holders of the preference shares the nominal amount paid up thereon together with a sum equal to any arrears of the fixed dividend

The holders of the 5 per cent preference shares are entitled in respect of their holding of such shares to receive notice of all general meetings of the company and to attend such meetings and to vote on any question directly affecting their rights and privileges attached to such shares

The company has the right, at its option to redeem the preference shares, or any part thereof at any time in accordance with the Companies Act 2006 and upon giving not less than three calendar months notice in writing

9. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2010 £	2009 £	2010 £	2009 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>70,000</u>	<u>70,000</u>

10. PROFIT AND LOSS ACCOUNT

	2010 £	2009 £
As at 1 July 2009	(1,286,427)	(1,285,746)
Retained loss for the year	<u>(627)</u>	<u>(681)</u>
As at 30 June 2010	<u>(1,287,054)</u>	<u>(1,286,427)</u>

A. BAILY AND COMPANY LIMITED

Notes to the financial statements for the year ended 30 June 2010

11. REVALUATION RESERVE

	2010 £	2009 £
As at 1 July 2009 and 30 June 2010	<u>499</u>	<u>499</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2010 £	2009 £
Loss for the financial year	<u>(627)</u>	<u>(681)</u>
	(627)	(681)
Shareholders' funds at 1 July 2009	<u>(1,215,928)</u>	<u>(1,215,247)</u>
Shareholders' funds at 30 June 2010	<u>(1,216,555)</u>	<u>(1,215,928)</u>
Represented by -		
Equity interests	<u>(1,216,555)</u>	<u>(1,286,928)</u>

13. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard No.8 in that this company it is a wholly owned subsidiary and that it is included in the consolidated financial statements that are publicly available.

14. ULTIMATE PARENT COMPANY AND CONTROL

The ultimate parent company is Morlands Holdings Limited, a company incorporated in England.

15. GOING CONCERN

The parent company G.R. (Holdings) plc has given a letter of support for a period of not less than twelve months from the signing of the financial statements. The accounts have been prepared in accordance with the accounting policies on page 9