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# financial statements

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## **Magnolia Group Limited**

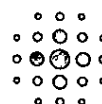
For the year ended 31 December 2006

Company registration number 0430745

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**MacIntyre Hudson**

THE FUTURE IS WHAT YOU MAKE IT •

# Magnolia Group Limited

## Financial Statements

52 week period from 2 January 2006 to 31 December 2006

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# **Magnolia Group Limited**

## **Officers and Professional Advisers**

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### **The Board of Directors**

R B Goodson  
S E McKenzie

### **Company Secretary**

Cobbetts (Secretarial) Limited

### **Registered Office**

Ship Canal House  
King Street  
Manchester  
M2 4WB

### **Auditor**

MacIntyre Hudson LLP  
Chartered Accountants  
& Registered Auditors  
Equipose House  
Grove Place  
Bedford  
MK40 3LE

# Magnolia Group Limited

## The Directors' Report

**52 week period from 2 January 2006 to 31 December 2006**

The directors have pleasure in presenting their report and the financial statements of the company for the period from 2 January 2006 to 31 December 2006

### Principal activity and business review

The principal activity of the company continues to be that of a dormant company

### Directors

The directors who served the company during the period were as follows

R B Goodson  
S E McKenzie

### 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor 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

# Magnolia Group Limited

## The Directors' Report

52 week period from 2 January 2006 to 31 December 2006

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### Auditor

A resolution to re-appoint MacIntyre Hudson LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office  
Ship Canal House  
King Street  
Manchester  
M2 4WB

Signed on behalf of the directors



R B Goodson  
Director

Approved by the directors on 15 October 2007

# **Magnolia Group Limited**

## **Independent Auditor's Report to the Shareholders of Magnolia Group Limited**

**52 week period from 2 January 2006 to 31 December 2006**

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We have audited the financial statements of Magnolia Group Limited for the period from 2 January 2006 to 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and the related notes 1 to 9. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's 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 auditor**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

# Magnolia Group Limited

## Independent Auditor's Report to the Shareholders of Magnolia Group Limited *(continued)*

52 week period from 2 January 2006 to 31 December 2006

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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 company's affairs as at 31 December 2006 and of its result for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Equipoise House  
Grove Place  
Bedford  
MK40 3LE

  
MACINTYRE HUDSON LLP  
Chartered Accountants  
& Registered Auditors

Date 18th October 2007

# Magnolia Group Limited

## Profit and Loss Account

52 week period from 2 January 2006 to 31 December 2006

	Note	Period from 2 Jan 06 to 31 Dec 06 £000	Period from 3 Jan 05 to 1 Jan 06 £000
Turnover		—	—
Administrative expenses		—	—
Operating profit, being profit on ordinary activities before taxation		—	—
Tax on profit on ordinary activities		—	—
Profit on ordinary activities after taxation, being profit for the financial period		—	—

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the period as set out above

The accounting policies and notes on pages 8 to 10 form part of these financial statements.



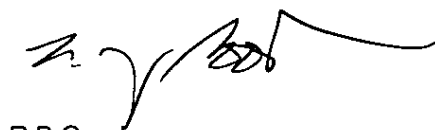
# Magnolia Group Limited

## Balance Sheet

31 December 2006

	Note	31 Dec 06		1 Jan 06
		£000	£000	£000
<b>Current assets</b>				
Debtors	2	2,796		2,796
<b>Creditors: amounts falling due within one year</b>	3	<u>1,086</u>		<u>1,086</u>
<b>Net current assets</b>			<u>1,710</u>	<u>1,710</u>
<b>Total assets less current liabilities</b>			<u>£1,710</u>	<u>£1,710</u>
<b>Capital and reserves</b>				
Called-up equity share capital	5		574	574
Share premium account	6		38	38
Profit and loss account	7		<u>1,098</u>	<u>1,098</u>
<b>Shareholders' funds</b>	8		<u>£1,710</u>	<u>£1,710</u>

These financial statements were approved by the directors and authorised for issue on 15 Oct 2007, and are signed on their behalf by



R B Goodson  
Director

The accounting policies and notes on pages 8 to 10 form part of these financial statements.

# Magnolia Group Limited

## Accounting Policies

52 week period from 2 January 2006 to 31 December 2006

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### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

### Fixed assets

All fixed assets are initially recorded at cost

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

### 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

# Magnolia Group Limited

## Notes to the Financial Statements

52 week period from 2 January 2006 to 31 December 2006

### 1. Particulars of employees

No salaries or wages have been paid to employees, including the directors, during the period

### 2 Debtors

	31 Dec 06 £000	1 Jan 06 £000
Amounts owed by group undertakings	<u>2,796</u>	<u>2,796</u>

### 3 Creditors: amounts falling due within one year

	31 Dec 06 £000	1 Jan 06 £000
Amounts owed to group undertakings	<u>1,086</u>	<u>1,086</u>

The parent company has undertaken not to require repayment of the above balance and continue to provide the company with sufficient financial support to meet its liabilities as they fall due for the foreseeable future

### 4. Related party transactions

As a subsidiary undertaking of Berkshire Hathaway Inc, the company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with other members of the group headed by Berkshire Hathaway Inc

### 5 Share capital

#### Authorised share capital

	31 Dec 06 £000	1 Jan 06 £000
6,500,000 Ordinary shares of £0 10 each	<u>650</u>	<u>650</u>

#### Allotted, called up and fully paid

	31 Dec 06		1 Jan 06	
	No	£000	No	£000
Ordinary shares of £0 10 each	<u>5,737,207</u>	<u>574</u>	<u>5,737,207</u>	<u>574</u>

### 6 Share premium account

There was no movement on the share premium account during the financial period

# Magnolia Group Limited

## Notes to the Financial Statements

52 week period from 2 January 2006 to 31 December 2006

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### 7 Profit and loss account

	Period from 2 Jan 06 to 31 Dec 06 £000	Period from 3 Jan 05 to 1 Jan 06 £000
Balance brought forward	1,098	1,098
Balance carried forward	<u>£1,098</u>	<u>£1,098</u>

### 8 Reconciliation of movements in shareholders' funds

	31 Dec 06 £000	1 Jan 06 £000
Opening shareholders' funds	1,710	1,710
Closing shareholders' funds	<u>£1,710</u>	<u>£1,710</u>

### 9 Ultimate parent company

Berkshire Hathaway Inc, a company incorporated in the USA, is the controlling party and ultimate parent undertaking of the largest group of which Magnolia Group Limited is a member and for which group financial statements are drawn up. The principal place of business of Berkshire Hathaway Inc is 1440 Kiewit Plaza, Omaha, Nebraska 68131, USA. The consolidated financial statements of the group are available to the public from this address.