

**LUKE HUGHES & CO. LIMITED**

**DIRECTORS' REPORT  
AND FINANCIAL STATEMENTS**

**For the year ended**

**31 MARCH 2007**

**Registered Number 1952292**

# LUKE HUGHES & CO. LIMITED

<b>CONTENTS</b>	<b>Pages</b>
Statement on behalf of the Board	2 – 3
Directors' report	4 – 5
Statement of directors' responsibilities	6
Report of the auditors	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 – 19

## **LUKE HUGHES & CO. LIMITED**

### **STATEMENT ON BEHALF OF THE BOARD**

Last year proved to be not only strong (as forecast in last year's accounts) but a record. Sales were £3,562,134 (2006: £2,800,961) with net margins rising to 6.06% and a profit of £215,788 (2006: £29,760).

Accordingly, it was felt appropriate to commemorate our first 20 years as a limited company (and 25 years since Luke set up a workshop in Covent Garden), with a party in Hawksmoor's magnificently restored St George's Bloomsbury, where your company had recently installed newly designed seating. The vicar, Rev. Perry Butler, welcomed shareholders, key clients, and partners. Ray Leigh (LHCL's founder chairman) spoke about early tentative commercial steps and survival during the recession of the early 1990s; Duncan Robinson (Director of the Fitzwilliam Museum, and President of Magdalene College, Cambridge) spoke about some of the subsequent achievements, setting them in a larger cultural context. It was a buoyant and memorable occasion.

Key to the year's result was a strong performance in the corporate market. Our relationship with Royal Bank of Scotland remained constant. In addition, other substantial corporate projects were also won, including two major contracts in quick succession, worth collectively more than £748,426, to fit out the London headquarters of both Unilever and British Land. This has led to considerable product development, not least for our Mercury, Studio, Capital and Curzon ranges of cable-managed meeting tables.

The institutional market continues to offer high-profile opportunities, including liturgical furniture in St George's Chapel, Windsor, Ely Cathedral and a host of historic churches, and all the complexities of providing suitable seating for the Georgian Theatre Royal, Bury St Edmunds, the fastidious restoration of which has featured heavily in both national press and on television. Oxbridge has continued to be important, the largest project being the refurbishment of a series of 1930s accommodation staircases at St John's College, Cambridge. Initial concepts were worked out in 2006/07 and the first phase completed in January 07. The second phase is underway and a third phase is already planned for 2008/09.

Libraries are still important, with LHCL being appointed as the fee-paid furniture consultant on the controversial project to move the Law Lords from the Palace of Westminster into a new Supreme Court in the former Middlessex Guildhall (again, the subject of much interest in the press). Designs for the library were completed in January 07; all the furniture for new courts, meeting and justices's rooms are now being developed. Other significant libraries supplied during the year include the College of Law for £260,874.

Our designs for high-profile hotel spas and street-benches continue to serve their niches well. After six years since our first foray into this area, we have developed (with designer Tomoko Azumi) a new luxury spa bed, and have already taken significant first orders. Our Chico street bench designed by Wales & Wales, continues to be specified by the Corporation of London as the standard timber bench for the Square Mile, whilst other local authority clients include Glasgow, Camden, Bridgend and Bolton.

These are all intentionally diverse niche-markets: the attention required to service them is difficult to replicate; the products must always be clearly differentiated and if not, specially tailored; and the clients usually recognise the value of a good track-record of delivering against schedule rather than automatically seeking the cheapest price. In a post-industrial age, with all the implications of cheap labour from the East, we believe this strategy will stand us in good stead.

## **LUKE HUGHES & CO. LIMITED**

### **STATEMENT ON BEHALF OF THE BOARD (continued)**

The website continues to evolve and not only proves an invaluable tool when providing instant information to clients, but is also bringing us new clients. This is an area we intend to develop substantially in future years, not least to make accessible our 'back-list' of previous designs, which can now be made as standard products.

Our team grows in skill and confidence. Many members have now been with us for ten years and, in the case of David Snell, seventeen years. Wendy, Naomi and Natasha have twice returned from maternity leave, clearly savouring a couple of days a week working well away from the domestic front-line. The Board thanks the whole team for the tremendous effort, commitment and humour, which was required in 2006/07 to produce such a positive result.

In 2007/08 we are certainly seeing a more stringent economic environment, but longer-term projects and long-established relationships are, to date, helping us maintain targets.

In the light of the year's result we propose to redeem all the Redeemable, Convertible Preference Shares. This amounts to £84,574. Our thanks go to those Preference shareholders for their support over the years, but also to all our other Ordinary shareholders, whose patience we hope to be able to start rewarding next year.

**L A Hughes**  
Managing Director

# **LUKE HUGHES & CO. LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 March 2007.

### **Principal activities**

The principal activities of the Company are the design and supply of furniture for the institutional and corporate markets.

### **Business review**

The profit and loss account for the year is set out on page 8. Further information regarding the review of affairs is set out in the Statement on behalf of the Board (see pages 2 and 3).

### **Redemption of preference shares**

As required by the Articles of Association, on 30 September 2006 2,180 Redeemable Convertible Preference 50p shares were redeemed representing 10.25% of total Redeemable Convertible Preference Shares. Consideration totalled £9,657.

### **Dividends to preference shareholders**

Preference dividends totalling £242 (2006: £12,634) were paid during the year, representing a preference share dividend for the six months to 30 September 2006 in respect of the redeemed shares. A preference dividend totalling of £4,229 in respect of the year ended 31 March 2007 has been paid since the year end.

The directors do not recommend a dividend in respect of the ordinary shares.

### **Directors and directors' interests**

The directors who held office during the year were as follows:

L A Hughes  
C J Breese  
A P Phipps

### **Disclosure of information to auditors**

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

**LUKE HUGHES & CO. LIMITED**

**DIRECTORS' REPORT (continued)**

**Auditors**

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the next AGM.

Signed on behalf of the Board

**L A Hughes**  
*Director*

## **LUKE HUGHES & CO. LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Nexia Smith & Williamson

## Independent auditors' report to the shareholders of Luke Hughes & Co. Limited

We have audited the accounts of Luke Hughes & Co. Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 16. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 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

The directors' responsibilities for preparing the Annual Report and the accounts 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 accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Statement on Behalf of the Board that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Statement on Behalf of the Board. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts 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 accounts.

### Opinion

In our opinion:

- the accounts 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 March 2007 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.

**Nexia Smith & Williamson**  
Chartered Accountants  
Registered Auditors

25 Moorgate  
London  
EC2R 6AY

29 November 2007

# LUKE HUGHES & CO. LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 MARCH 2007

	Notes	2007 £	2006 £
<b>Turnover</b>	1	3,562,134	2,800,961
Cost of sales		(1,985,107)	(1,486,469)
		<hr/>	<hr/>
<b>Gross profit</b>		1,577,027	1,314,492
Distribution costs		(20,978)	(18,706)
Administrative expenses		(1,343,880)	(1,264,081)
		<hr/>	<hr/>
<b>Operating profit</b>	2	212,169	31,705
Interest receivable		9,985	3,839
Interest payable and other similar charges - preference share dividends	5	(4,471)	(5,784)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		217,683	29,760
Taxation	6	(1,895)	-
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>	13	215,788	29,760
		<hr/>	<hr/>

All of the Company's operations are classed as continuing. There were no gains or losses in either year other than those included in the above profit and loss account.

**LUKE HUGHES & CO. LIMITED**

**BALANCE SHEET as at 31 MARCH 2007**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	7	163,230	125,866
<hr/>			
<b>Current assets</b>			
Stocks	8	58,627	16,259
Debtors	9	547,329	676,266
Cash at bank and in hand		679,528	367,754
<hr/>			
		1,285,484	1,060,279
<b>Creditors: amounts falling due within one year</b>	10	(1,088,803)	(972,693)
<hr/>			
<b>Net current assets</b>		196,681	87,586
<hr/>			
<b>Total assets less current liabilities</b>		359,911	213,452
<b>Creditors: amounts falling due more than one year</b>	11	(15,245)	(84,574)
<hr/>			
<b>Net assets</b>		344,666	128,878
<hr/>			
<b>Capital and reserves</b>			
Called up share capital	12	28,554	28,554
Capital redemption reserve	13	9,053	7,963
Profit and loss account	13	307,059	92,361
<hr/>			
<b>Shareholders' funds</b>	14	344,666	128,878
<hr/>			

The financial statements were approved by the board of directors on 29 November 2007 and were signed on its behalf by:

**L A Hughes**  
*Director*

# LUKE HUGHES & CO. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007

### 1. Accounting policies

A summary of the more important accounting policies adopted is provided below.

#### **Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards.

#### **Accounting convention**

The accounts have been prepared under the historical cost convention and on the going concern basis.

#### **Fixed assets and depreciation**

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	10 years
Fixtures, fittings and equipment	-	4 years

#### **Deferred taxation**

Deferred taxation is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

#### **Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### **Stocks**

Stock and work in progress is stated at the lower of cost and net realisable value.

#### **Turnover**

Turnover represents the sale of furniture and is stated net of value added tax.

#### **Foreign currencies**

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

**LUKE HUGHES & CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007  
(continued)**

2.	<b>Operating profit</b>	<b>2007</b>	<b>2006</b>
	is stated after charging:	£	£
	Auditors' remuneration	11,000	10,500
	Depreciation	35,488	35,741
	Rentals under operating leases:		
	Plant and machinery	14,161	14,483
	Other	69,041	69,041
		<hr/>	<hr/>

3.	<b>Remuneration of directors</b>	<b>2007</b>	<b>2006</b>
		£	£
	Aggregate emoluments	163,550	161,220
		<hr/>	<hr/>

On 19 February 1996, the Company granted an option to A P Phipps to purchase 17,000 'A' Ordinary Shares of 10p each at a price of £2 per share. The option is now exercisable over a like number of Ordinary Shares of 10p each on the same terms and may be exercised in whole or in part at any time before 19 February 2013.

4. **Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2007</b>	<b>2006</b>
Directors	3	3
Other employees:		
Administration and sales	20	22
	<hr/>	<hr/>
	23	25
	<hr/>	<hr/>

**LUKE HUGHES & CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007  
(continued)**

**4. Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:	<b>2007</b> £	<b>2006</b> £
Wages and salaries	813,297	826,037
Social security costs	94,841	90,434
Other pensions costs	3,000	3,000
	<hr/>	<hr/>
	911,138	919,471
	<hr/> <hr/>	<hr/> <hr/>

**5. Interest payable and similar charges**

	<b>2007</b> £	<b>2006</b> £
Preference share dividend payable/paid during the year	4,229	4,712
Preference share dividend paid on redeemed shares during year	242	1,072
	<hr/>	<hr/>
	4,471	5,784
	<hr/> <hr/>	<hr/> <hr/>

**6. Taxation**

	<b>2007</b> £	<b>2006</b> £
United Kingdom Corporation tax for the year at 19% (2006: 19%)	1,895	-
	<hr/> <hr/>	<hr/> <hr/>
Profit on ordinary activities per the accounts	217,683	29,760
	<hr/> <hr/>	<hr/> <hr/>
<i>Tax reconciliation</i>		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2006 - 19%)	41,360	5,654
Capital allowances for period (greater)/less than depreciation	(712)	1,920
Expenses not deductible for tax purposes	7,587	4,258
Other timing differences – losses brought forward	(46,340)	(11,832)
	<hr/>	<hr/>
Total current tax charge	1,895	-
	<hr/> <hr/>	<hr/> <hr/>
The amount of unprovided deferred tax asset is as follows:		
Excess of future capital allowances over depreciation	6,149	6,861
Other timing differences – tax losses	19,829	66,171
	<hr/>	<hr/>
	25,978	73,032
	<hr/> <hr/>	<hr/> <hr/>

**LUKE HUGHES & CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007**  
(continued)

**7. Tangible fixed assets**

	<b>Leasehold Improve- ments £</b>	<b>Fixtures, fittings and Equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 April 2006	151,311	130,277	281,588
Additions	27,248	52,787	80,035
Disposals	(20,605)	-	(20,605)
	<hr/>	<hr/>	<hr/>
At 31 March 2007	157,954	183,064	341,018
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 2006	54,792	100,930	155,722
Charge for year	15,723	19,765	35,488
Disposals	(13,422)	-	(13,422)
	<hr/>	<hr/>	<hr/>
At 31 March 2007	57,093	120,695	177,788
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2007	100,861	62,369	163,230
	<hr/>	<hr/>	<hr/>
At 31 March 2006	96,519	29,347	125,866
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**8. Stocks**

	<b>2007 £</b>	<b>2006 £</b>
Work in progress	58,627	16,259
	<hr/>	<hr/>

**9. Debtors**

	<b>2007 £</b>	<b>2006 £</b>
Trade debtors	484,978	621,656
Other debtors	49,286	38,586
Prepayments	13,065	9,189
Accrued income	-	6,835
	<hr/>	<hr/>
	547,329	676,266
	<hr/> <hr/>	<hr/> <hr/>

Included within other debtors are deposits placed with suppliers.

**LUKE HUGHES & CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007 (continued)**

10. <b>Creditors:</b> amounts falling due within one year	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Deposits received (see below)	270,948	318,091
Trade creditors	522,181	361,976
Corporation tax	1,895	-
Other taxation and social security	22,307	100,651
Other creditors	26,749	19,644
Accruals	171,165	162,674
Preference share dividend payable (see note 11)	4,229	-
Preference share redemption (see note 11)	69,329	9,657
	<hr/>	<hr/>
	1,088,803	972,693
	<hr/>	<hr/>

Deposits are received from customers when furniture is ordered and, in ordinary circumstances, are not refundable.

The Company's bankers have a mortgage debenture over all the assets of the Company.

11. <b>Creditors:</b> amounts falling due after one year	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Redeemable Cumulative Preference Shares	15,245	84,574
	<hr/>	<hr/>
<b>Authorised</b>		
216,000 Redeemable Convertible Preference Shares of 50p each	108,000	108,000
	<hr/>	<hr/>
<b>Allotted called up and fully paid</b>		
19,091 Redeemable Convertible Preference Shares of 50p each (2006: 21,271)	9,546	10,636
	<hr/>	<hr/>

## LUKE HUGHES & CO. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007 (continued)

11. **Creditors:** amounts falling due after one year  
(continued)

The Redeemable Convertible Preference Shares are eligible for a cumulative preferential dividend of 5% per annum on the Accrued Value (as defined in the Company's Articles of Association) of each such shares from 1 April 2001, paid (subject to the availability of distributable profits and in priority to any dividend paid on the Ordinary Shares) annually on 1 April in arrears. To the extent that the preferential dividend is not paid, any unpaid amount is rolled up in the Accrued Value at which the Redeemable Convertible Preference Shares may, under certain conditions, be redeemed.

The Redeemable Convertible Preference Shares are entitled, at the election of the holder, to convert into fully paid Ordinary Shares at the rate of one Ordinary Share for each £6.86 of Accrued Value. The conversion date in each year shall be the date falling on the later of 31 October in that year and 28 days after the date on which the audited financial statements of the company are despatched to the holders of Redeemable Convertible Preference Shares (unless the company has given notice of its intention to redeem some or all of the Redeemable Convertible Preference Shares, in which case the conversion date is the day prior to the day on which the redemption is to be effected).

The Company is entitled to redeem the Redeemable Convertible Preference Shares, subject to the availability of distributable profits, at any time and is obliged annually to apply one third of its distributable profits as shown in the accounts of the Company for its last preceding accounting period in the redemption of any Redeemable Convertible Preference Shares as are outstanding and can be properly redeemed. The amount so payable shall in each case be the Accrued Value plus a sum equal to the fixed cumulative preferential dividend up to and including the redemption date. Where less than all the Redeemable Convertible Preference Shares are to be so redeemed, such shares are to be redeemed pro rata to each holder's holding of Redeemable Convertible Preference Shares.

The Redeemable Convertible Preference Shares carry voting rights only if any preference dividend which could lawfully have been paid is six months or more in arrears, where Redeemable Convertible Preference Shares which could lawfully have been redeemed are more than six months overdue or where the business of the relevant meeting includes a resolution affecting the rights attaching to the Redeemable Convertible Preference Shares (such voting rights arising only in relation to the resolution affecting the rights attaching to the Redeemable Convertible Preference Shares where no lawful dividend payment or redemption is six months overdue).

## LUKE HUGHES & CO. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007 (continued)

#### 11. Creditors: amounts falling due after one year (continued)

Reconciliation of movement in the Accrued Value of Redeemable Convertible Preference shareholders' interests:

	2007 £	2006 £
Preference shareholder interests at 1 April 2006	94,231	136,998
Preference dividends due for current year	4,471	5,784
Preference dividends paid in respect of current year	(242)	(5,784)
Transfer to dividends payable	(4,229)	-
Redemption of Redeemable Convertible Preference shares during year	(9,657)	(42,767)
	<hr/>	<hr/>
Preference shareholder interests at 31 March 2007	84,574	94,231
	<hr/>	<hr/>
The preference shareholder interests are analysed as:		
Creditors: amounts falling due within one year		
- preference share redemption	69,329	9,657
Creditors: amounts falling due after one year		
- Redeemable Convertible Preference shares	15,245	84,574
	<hr/>	<hr/>
Preference shareholder interests at 31 March 2007	84,574	94,231
	<hr/>	<hr/>

The finance cost in respect of the Redeemable Convertible Preference Shares during the year ended 31 March 2007 totalled £4,471 (2006: £5,784). This comprised a preference dividend payable totalling £4,229 and a preference dividend of £242 on the redeemed preference shares paid to 30 September 2006.

The aggregate Accrued Value of the Redeemable Convertible Preference Shares as at 31 March 2007 was £84,574 (2006: £94,231). The Accrued Value as at 31 March 2007 was equivalent to £4.43 (2006: £4.43) per share and, on any distribution of assets on a winding up or other return of capital, ranks in priority to any such payment in respect of the Ordinary Shares.

The Accrued Value of the Redeemable Convertible Preference Shares due to be redeemed compulsorily as at 31 March 2007 totalled £69,329 (2006: £9,657) (see note 10).

**LUKE HUGHES & CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007  
(continued)**

<b>12. Called up share capital</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
704,500 Ordinary Shares of 10p each	70,450	70,450
Not designated	321,550	321,550
	<hr/>	<hr/>
	392,000	392,000
	<hr/> <hr/>	<hr/> <hr/>
<b>Allotted, called up and fully paid</b>		
285,543 Ordinary Shares of 10p each:	28,554	28,554
	<hr/> <hr/>	<hr/> <hr/>

On 29 November 2000, the Company granted an option to C C Watson to purchase 22,210 'A' Ordinary Shares of 10p each at a price of £3.05 per share. The option is now exercisable over a like number of Ordinary Shares of 10p each on the same terms and may be exercised in whole or in part at any time before 29 November 2007. Details of the share options granted to A P Phipps can be found in Note 3.

<b>13. Reserves</b>	<b>Capital redemption reserve</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
At 1 April 2006	7,963	92,361
Transfer to capital redemption reserve on redemption of preference shares	1,090	(1,090)
Retained profit for the financial year	-	215,788
	<hr/>	<hr/>
At 31 March 2007	9,053	307,059
	<hr/> <hr/>	<hr/> <hr/>

**LUKE HUGHES & CO. LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007  
(continued)**

**14. Reconciliation of movements in shareholders' funds**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Retained profit for the financial year	215,788	29,760
	<hr/>	<hr/>
Net increase to shareholders' funds	215,788	29,760
	<hr/>	<hr/>
Opening shareholders' funds – as originally stated	128,878	236,116
Prior year adjustment (see below)	-	(136,998)
	<hr/>	<hr/>
Opening shareholders' funds – restated	128,878	99,118
	<hr/>	<hr/>
Closing shareholders' funds	344,666	128,878
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 March 2006 the company adopted FRS 25 "Financial instruments: disclosure and presentation". The adoption of this standard represented a change in accounting policy and the comparatives were restated accordingly comprising the reclassification of preference shares from equity to liabilities.

**15. Commitments**

At 31 March 2007 the Company had annual commitments under non cancellable operating leases as follows:

	<b>2007</b>		<b>2006</b>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Within one year	-	177	-	4,049
Between two and five years	43,541	13,930	43,541	8,753
Over five years	25,500	-	25,500	-
	<hr/>	<hr/>	<hr/>	<hr/>
	69,041	14,107	69,041	12,802
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **LUKE HUGHES & CO. LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2007 (continued)**

#### **16. Related party transactions**

Rent totalling £43,541 was charged to the Company during the year in respect of two properties used by the Company (2006: £43,541). L A Hughes and A P Phipps are directors of the Company and own these properties.

As at 31 March 2007 an amount of £383 (2006: £Nil) was due from L A Hughes, and this has been settled since the balance sheet date. The maximum amount receivable during the year ended 31 March 2007 was £1,411 (2006: £4,318), which represented a trade debtor balance. No interest is receivable, and the company's usual trade debtor terms applied to this balance.