

David McLean Homes (Manchester) Limited

**Directors' report and financial statements
for the year ended 30 June 2007**

Registered Number: 3215914

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David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

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David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 June 2007

Principal activities

The principal activity up to 30 June 2007 was that of house building

Business review

The company's profit for the year after taxation amounted to £1,539,000 (2006 £1,493,000)

On 30 June 2007 the company transferred all of its trade, assets and liabilities to David McLean Homes Limited, a fellow group company. As the directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis. The effect of this is explained in Note 1.

Performance of the business

Turnover for the year has increased by £3.2m to £28.6m (2006 £25.4m). Operating profit at £3.6m has increased by £0.6m due to the higher numbers of legal completions in the year.

Principal risks

The principal risks faced by the company prior to the transfer of business were as follows -

- Purchasing land,
- Obtaining implementable planning permissions,
- Constructing the homes on schedule and to budget,
- Selling properties as and when built and at suitable revenue levels, and
- Interest rates

These have been mitigated by the transfer of trade.

Key performance indicators

The key performance indicators used within the business before the transfer were -

- Forward land bank,
- Forward sales,
- Site performance against forecast and budget, and
- Net borrowings

These were monitored on weekly and on monthly bases during the year.

Directors

The directors who held office during the year were as follows

A Bravington	
A Demain	(resigned 9 February 2007)
P Halliwell	(resigned 29 June 2007)
P Marston	(appointed 9 February 2007)
D S McCarthy	
L McGeehan	(resigned 9 February 2007)
F P Reil	

David McLean Homes (Manchester) Limited
Directors' report and financial statements
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Directors' Report (Continued)

Directors (continued)

The directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The company provided qualifying third party indemnity provisions to directors of associated companies during the financial year and at the date of this report.


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

 19/2/08

S Garnett
Secretary

Enterprise House
28 Parkway
Deeside
CH5 2NS

David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments 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, and
- 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
St James Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of David McLean Homes (Manchester) Limited

We have audited the financial statements of David McLean Homes (Manchester) Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses and the related notes. These financial statements 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 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 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 judgments 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.

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.

**Independent auditors' report to the members of David McLean Homes
(Manchester) Limited (*continued*)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditors

26 February 2008

David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Profit and loss account
for the year ended 30 June 2007

	Note	2007 £000	2006 £000
Turnover	2	28,598	25,394
Cost of sales		(23,497)	(20,796)
Gross profit		<u>5,101</u>	<u>4,598</u>
Administration expenses		(1,492)	(1,583)
Operating profit		<u>3,609</u>	<u>3,015</u>
Interest receivable and similar income	6	16	-
Interest payable and similar charges	7	(1,188)	(870)
Profit on ordinary activities before taxation	2-5	<u>2,437</u>	<u>2,145</u>
Tax on profit on ordinary activities	8	(898)	(652)
Retained profit for the financial year	13	<u><u>1,539</u></u>	<u><u>1,493</u></u>

The notes on pages 10 to 15 form part of these financial statements

The results for both years relate to discontinued activities

David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Balance sheet
at 30 June 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Current assets					
Stocks	9	-		22,325	
Debtors	10	6,083		145	
Cash at bank and in hand		-		157	
		<u>6,083</u>		<u>22,627</u>	
Creditors: amounts falling due within one year	11	<u>-</u>		<u>(18,083)</u>	
Net current assets			6,083		4,544
Net assets			<u>6,083</u>		<u>4,544</u>
Capital and reserves					
Called up share capital	12		1,000		1,000
Profit and loss account	13		5,083		3,544
			<u></u>		<u></u>
Shareholder's funds	14		<u>6,083</u>		<u>4,544</u>

These financial statements were approved by the board of directors on behalf by

19/2/08

and were signed on its

F P Reil
Director

A Bravington
Director

The notes on pages 10 to 15 form part of these financial statements

David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Statement of total recognised gains and losses
for the year ended 30 June 2007

	2007 £000	2006 £000
Profit for the financial year	1,539	1,493
	<hr/>	<hr/>
Total gains and losses relating to the year	1,539	1,493
	<hr/>	<hr/>

Note of historical cost profits and losses
for the year ended 30 June 2007

	2007 £000	2006 £000
Profit on ordinary activities before taxation	2,437	2,145
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	2,437	2,145
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	1,539	1,493
	<hr/>	<hr/>

David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below

In these financial statements FRS 20 'Share based payments' has been adopted for the first time. The adoption of this standard has not required an adjustment to the financial statements in the current or preceding years.

Basis of preparation

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

On 30 June 2007 the company transferred its trade, assets and liabilities to David McLean Homes Limited. As the directors do not intend to acquire a replacement trade, the accounts have not been prepared on the going concern basis. This has not required an adjustment to the financial statements of the current or preceding years.

Under FRS 1 (revised), no cashflow statement is required as the company is a wholly owned subsidiary of a parent undertaking which is established under the law of a member State of the European Community, whose consolidated financial statements include a consolidated cashflow statement dealing with the cash flows of the group.

The company is exempt under FRS 8 from the requirement to disclose related party transactions with other group companies on the grounds that over 90% of the voting rights are controlled within the group headed by David McLean Limited. The consolidated financial statements of David McLean Limited can be obtained from the address given in note 17.

Fixed assets and depreciation

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

Fixtures, fittings and equipment	- 20%	straight line
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Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. For development work in progress, cost is taken as direct cost plus an appropriate proportion of production and other site overheads. Cost excludes interest payable, which is charged to the profit and loss account when incurred. The cost of options is to be written off when incurred.

David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences, which have arisen but not reversed at the balance sheet date

Turnover

House building turnover represents amounts (excluding value added tax) derived from the sale of houses, recognised on legal completion of the sale. Profit is also recognised on legal completion while losses are provided for as they are identified

Turnover excludes amounts derived from the sale of part exchange properties and part exchange profits and losses are included within cost of sales

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

2 Analysis of turnover and profit on ordinary activities before interest and taxation

	2007 Turnover	2007 Profit before interest and tax	2006 Turnover	2006 Profit before interest and tax
	£000	£000	£000	£000
<i>By activity</i>				
House building	28,598	3,609	25,394	3,015
	<hr/>	<hr/>	<hr/>	<hr/>
<i>By geographical market</i>				
United Kingdom	28,598		25,394	
	<hr/>		<hr/>	

David McLean Homes (Manchester) Limited
Directors' report and financial statements
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Notes (continued)

3 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>After charging</i>		
Hire of plant and machinery	149	-
Other operating leases	71	-
Profit on sale of freehold reversions	556	-
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
Audit of these financial statements	8	6
Tax advisory and compliance	3	3
	<hr/>	<hr/>

4 Remuneration of directors

The directors are all directors of David McLean Homes Limited and their emoluments are disclosed in that company's consolidated financial statements

5 Staff numbers and costs

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

	Number of employees	
	2007	2006
Administration	16	12
Sales	3	2
Construction	14	11
	<hr/>	<hr/>
	33	25
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	732	550
Social security costs	94	70
Other pension costs (see note 16)	27	37
	<hr/>	<hr/>
	853	657
	<hr/>	<hr/>

David McLean Homes (Manchester) Limited
Directors' report and financial statements
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Notes (continued)

6 Interest receivable and similar income

	2007	2006
	£000	£000

Bank interest	16	-
	16	-

7 Interest payable and similar charges

	2007	2006
	£000	£000

On bank loans, overdrafts and other loans wholly repayable within five years	1 188	870
	1 188	870

8 Taxation

	2007	2006
	£000	£000

Analysis of charge in the year

Current tax

UK Corporation tax at 30% (2006 30%) on profits in the year	901	650
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Deferred tax

Origination and reversal of timing differences	(3)	2
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Tax on profit on ordinary activities	898	652
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Factors affecting the tax charge for the year

The current tax charge for the year is higher than (2006 higher than) the standard rate of corporation tax in the UK (30%, 2006 30%). The differences are explained below

Profit on ordinary activities before tax	2,437	2,145
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Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	731	644
--	-----	-----

Effects of

Expenses not deductible for tax purposes	171	6
--	-----	---

Capital allowances for period in excess of depreciation	(1)	-
---	-----	---

Current tax charge for the year	901	650
--	-----	-----

Factors affecting future tax charge

The UK corporation tax rate will decrease from 30% to 28% with effect from 1 April 2008

9 Stocks

	2007	2006
	£000	£000

Land Stock	-	14,591
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Work in progress	-	7,734
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	-	22,325
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David McLean Homes (Manchester) Limited
Directors' report and financial statements
Year Ended 30 June 2007

Notes (continued)

10 Debtors amounts falling due within one year

	2007	2006
	£000	£000
Amounts owed by group undertakings	6,083	-
Other debtors	-	145
	<u>6,083</u>	<u>145</u>

11 Creditors: amounts falling due within one year

	2007	2006
	£000	£000
Bank loans and overdrafts	-	12,762
Amounts owed to group undertakings	-	3,369
Other creditors including taxation and social security		
Corporation Tax	-	650
Taxation and social security	-	105
Other creditors	-	1,197
Accruals and deferred income	<u>-</u>	<u>18,083</u>

Bank loans relate to land and work in progress loans repayable as and when individual plots are sold. Whilst the facility runs for 5 years all of the loans are shown as being repayable within 1 year as they are dependent on the timing of plot sales.

12 Called up share capital

	2007	2006
	£000	£000
<i>Authorised</i>		
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

13 Profit and loss account

	£000
At beginning of year	3,544
Retained profit	1,539
At end of year	<u>5,083</u>

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Notes (continued)

14 Reconciliation of movements in shareholders' funds

	2007	2006
	£000	£000
Profit for the financial year	1,539	1,493
Net addition to shareholder's funds	<u>1,539</u>	<u>1,493</u>
Opening shareholder's funds	4,544	3,051
Closing shareholder's funds	<u><u>6,083</u></u>	<u><u>4,544</u></u>

15 Guarantees in favour of group undertakings

The company has entered into a cross guarantee and debenture covering the bank borrowings of other companies in the David McLean (Holdings) Limited group. Bank borrowings in respect of these companies at 30 June 2007 amounted to £51,246,000 (2006 £52,740,000)

16 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £27,000 (2006 £37,000)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

17 Ultimate parent company

The ultimate holding company is called David McLean Limited a company incorporated in Great Britain, and registered in England and Wales. David McLean Homes Limited heads the smallest Group in which the results are consolidated. David McLean Limited heads the largest group in which the results are consolidated. A copy of the financial statements of both entities can be obtained from the Company Secretary at the Registered Office at Enterprise House, 28 Parkway, Deeside Industrial Park, Deeside, CH5 2NS