

Castlemore (Temple Quay 2) Limited

**Directors' report and financial
statements**

Registered number 3831148

For the year ended 30 September 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2004.

Principal activity and business review

The principal activity of the company is that of property development and will continue to be so in the future.

During the previous years, we have acquired land interests at North Shore, Temple Quay including sites from the South West Regional Development Agency. We have strategically reviewed the land required in respect of mixed use non-retail development and have, in previous years, proceeded to dispose of land interest at are not core requirements. We have commenced infrastructure works in advance of anticipated pre-lets and are progressing all aspects of the planning applications so far submitted.

Results and dividends

The company's loss before taxation amounted to £756,000 (*2003 profit: £2,836,000*) and retained loss for the year amounted to £529,000 (*2003 profit: £1,985,000*).

The directors do not recommend the payment of a dividend (*2003: £Nil*).

Directors and directors' interests

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

JG Whateley	
WJ Oakley	(retired 24 December 2003)
PJ Barby	(retired 31 January 2005)
RP Power	(retired 30 June 2004)
NC Mason	
RA Buckey	

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The interests of JG Whateley in the share capital of the holding company, Castlemore Holdings Limited, are disclosed in the financial statements of that company.

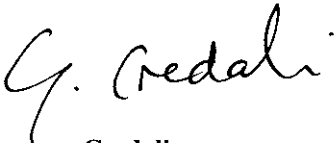
According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

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



Giuseppe Credali
Secretary

Cedar Court
221 Hagley Road
Hayley Green
Halesowen
West Midlands
B63 1ED

12 May 2005

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 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 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 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 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
2 Cornwall Street
Birmingham
B3 2DL

Report of the independent auditors to the members of Castlemore (Temple Quay 2) Limited

We have audited the financial statements on pages 5 to 11.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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.

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 of the state of the company's affairs as at 30 September 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

12 May 2005

Profit and loss account
for the year ended 30 September 2004

	<i>Note</i>	2004 £000	2003 £000
Turnover	<i>1</i>	498	6,683
Cost of sales		(726)	(3,322)
		<hr/>	<hr/>
Gross (loss)/profit		(228)	3,361
Administrative expenses		(60)	(419)
Other operating income		1	23
		<hr/>	<hr/>
Operating (loss)/profit		(287)	2,965
Other interest receivable and similar income	<i>4</i>	-	14
Interest payable and similar charges	<i>5</i>	(469)	(143)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	<i>2</i>	(756)	2,836
Tax on (loss)/profit on ordinary activities	<i>6</i>	227	(851)
		<hr/>	<hr/>
(Loss)/profit for the financial year	<i>11</i>	(529)	1,985
		<hr/>	<hr/>

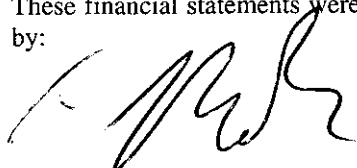
All amounts are derived from continuing operations.

The company has no recognised gains or losses in the current or preceding year other than those disclosed in the profit and loss account.

Balance sheet
at 30 September 2004

	<i>Note</i>	2004 £000	2003 £000
Current assets			
Stocks	7	14,163	12,032
Debtors	8	1,307	1,091
		<hr/>	<hr/>
		15,470	13,123
Creditors: Amounts falling due within one year	9	(14,591)	(11,715)
		<hr/>	<hr/>
Net assets		879	1,408
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	879	1,408
		<hr/>	<hr/>
Equity shareholders' funds		879	1,408
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 12 May 2005 and were signed on its behalf by:



JG Whateley
Director

Reconciliation of movement in shareholders' funds
for the year ended 30 September 2004

	2004 £000	2003 £000
(Loss)/profit for the financial year	(529)	1,985
Net (reduction in)/addition to shareholders' funds	(529)	1,985
Opening shareholders' funds	1,408	(577)
Closing shareholders' funds	879	1,408

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.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax 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 as otherwise required by FRS 19.

Stocks

Stocks comprise of development work in progress and properties held for resale. Stocks are stated at the lower of cost and net realisable value. Cost is determined on an actual basis and comprises land, property and materials. Net realisable value is based on estimated selling prices less further costs anticipated to disposal, excluding interest costs.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of Castlemore Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has, therefore, not disclosed balances or transactions with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Castlemore Holdings Limited, within which this company is included, can be obtained from the address given in note 13.

Turnover

Turnover is recognised on the unconditional completion of sales contracts in respect of land disposals (excluding value added tax). All turnover is derived from customers within the United Kingdom.

Notes (continued)

2 (Loss)/profit on ordinary activities before taxation

The audit fees are borne by another group company and recharged along with other expenditure.

3 Staff numbers and costs

The only employees of the company are the directors who received no remuneration during the year (2003: £Nil).

4 Other interest receivable and similar income

	2004 £000	2003 £000
Other interest	-	14

5 Interest payable and similar charges

	2004 £000	2003 £000
Bank interest payable	176	-
Group interest payable	293	143
	<u>469</u>	<u>143</u>

6 Taxation

(i) Analysis of (credit)/charge for the year

	2004 £000	2003 £000
UK corporation tax		
Current tax on income in year	(227)	851
	<u>(227)</u>	<u>851</u>
Total current tax and tax on (loss)/profit on ordinary activities		

(ii) Factors affecting the tax credit for the current year

The current tax credit for the year is equal to (2003: charge equal to) the standard rate of corporation tax in the UK (30% (2003: 30%)).

	2004 £000	2003 £000
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(756)	2,836
	<u>(756)</u>	<u>2,836</u>
Current tax at 30% (2003: 30%) and total current tax charge (see above)	<u>(227)</u>	<u>851</u>

Notes (continued)

7 Stocks

	2004 £000	2003 £000
Work in progress	14,163	12,032

8 Debtors

	2004 £000	2003 £000
Trade debtors	719	631
Amounts owed by group undertakings	319	396
Other debtors	269	61
Prepayments and accrued income	-	3
	1,307	1,091

Amounts owed by group undertakings includes unpaid share capital of £2 (2003: £2).

9 Creditors: Amounts falling due within one year

	2004 £000	2003 £000
Bank overdraft (secured)	3,149	3
Trade creditors	448	8,070
Amounts owed to group undertakings	9,888	1,172
Corporation tax	-	851
Accruals and deferred income	1,106	1,619
	14,591	11,715

The bank overdraft is secured via a fixed and floating charge over all of the company's assets.

10 Called up share capital

	2004 £	2003 £
<i>Authorised, allotted and called up:</i>		
Ordinary shares of £1 each	2	2

Notes (continued)

11 Reserves

	Profit and loss account £000
At beginning of year	1,408
Retained loss for the year	(529)
	<hr/>
At end of year	879
	<hr/>

12 Contingent liabilities and guarantees

The company has guaranteed the bank overdrafts and loans made to certain other group companies which, at 30 September 2004, amounted to £18,316,675 (2003: £10,394,254).

13 Immediate and ultimate parent company

The immediate and ultimate parent company is Castlemore Holdings Limited, which is incorporated in Great Britain.

The largest group in which the results of the company are consolidated is that headed by Castlemore Securities Limited. The consolidated financial statements of Castlemore Holdings Limited are available to the public and may be obtained from:

Companies House
 Crown Way
 Cardiff
 CF14 3UZ

14 Ultimate controlling party

At 30 September 2004, the trustees of a Settlement for the benefit of the children of JG Whateley held 74% of the share capital of Castlemore Holdings Limited. This trust was established by Mr JG Whateley, a director of the company, for the benefit of his children. The trustees comprise Mr JG Whateley (resigned 20 October 2004), Mr R Lovell, Mr R Chiverrell and Mrs B Osbourne. The trustees are the ultimate controlling party.