

Clearstorm Limited

Directors' report and
financial statements

15 month period ended 31 March 2008

Registered number: 04151594

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Clearstorm Limited

Directors' report and financial statements

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Clearstorm Limited

Directors and other information

Directors

B. Fagan
R. Hardy
T. Farrow
D. Brophy

Registered office

St Johns House
5 South Parade
Summertown
Oxford
OX2 7JL

Registered number

04151594

Secretary

B. Fagan

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Solicitors

Howard Kennedy Solicitors
Harcourt House
19 Cavendish Street
London
W1A 2AW

Bankers

Irish Nationwide Building Society
18 Donegall Square East
Belfast
BT1 5HE

Allied Irish Bank
1136 High Road
North Finchley
London
N20 0RA

Clearstorm Limited

Directors' report

The directors present their report and audited financial statements for 15 months from 1 January 2007 to the period ended 31 March 2008. The Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

Principal activity and results, review of the business and dividend

The principal activity of the company is that of property development. There has been no significant change in these activities during the year. However, the operating environment for the business has proven to be difficult during the year.

The carrying value of stock as at 31 March 2008 was £167.1 million (2007: £91.6 million). The increase in stock arises from the continued development and enhancement of existing work in progress and development properties. In addition, following a review of the status of development properties, £8.8 million of costs expensed to the profit and loss account in the prior period have been capitalised in the current period. In the directors' view the costs incurred on these properties met the criteria for capitalisation from 1 April 2006.

The results for the period are set out on page 8 of the financial statements. The profit for the period was £7,963,811 (2006: loss £11,782,999). The directors do not recommend the payment of a dividend.

Directors and secretary

The directors and secretary who held office at the end of the period are listed on page 1.

Mr. D Brophy was appointed as a director of the company on 28 November 2007.

Dr. P Bacon resigned as a director of the company on 31 December 2007.

Mr. W McCollum resigned as a director of the company on 2 May 2007.

Mr. T Farrow resigned as a director of the company on 11 November 2008.

In accordance with the Articles of Association, the directors are not required to retire by rotation.

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 aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Clearstorm Limited

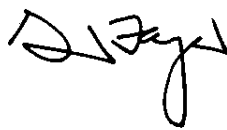
Directors' report *(continued)*

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG, Chartered Accountants, as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

B. Fagan
Director



18 December 2008

Clearstorm Limited

Statement of directors' responsibilities

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 period. Under that law the directors 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 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; 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.

On behalf of the board

B. Fagan
Director





KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of Clearstorm Limited

We have audited the financial statements of Clearstorm Limited for the 15 months period ended 31 March 2008 which comprises the Profit and Loss Account, Balance Sheet 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 auditor

As described in the Statement of Directors' Responsibilities on page 3, the directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.



Independent auditor's report to the members of Clearstorm Limited *(continued)*

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.

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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit 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.

Chartered Accountants
Registered Auditor
Dublin

22 December 2008

Clearstorm Limited

Statement of accounting policies

For the 15 month period ended 31 March 2008

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 of financial statements

The financial statements have been prepared in accordance with generally accepted accounting principles under the historical cost accounting convention and comply with financial reporting standards of the Accounting Standards Board (see note 1).

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Stock

Development properties

Development properties are properties acquired for future development and properties on which only initial development has commenced. They are stated at the lower of cost and net realisable value.

Work in progress

Work in progress comprises properties currently being developed stated at the lower of cost and net realisable value. Net realisable value is defined as the current selling price of the completed development less all further costs to completion as estimated by the directors. Costs include interest and finance fees which are capitalised from the date of commencement of development until the development is completed. Interest is calculated by reference to specific borrowing.

Turnover

Turnover, which is stated net of VAT, represents rental income recognised on an accruals basis. Turnover is continuing, and is earned entirely within the United Kingdom.

Clearstorm Limited

Statement of accounting policies *(continued)*

Interest payable

Interest payable, which has not been capitalised, is charged to the profit and loss account in the financial period in which it is incurred.

Clearstorm Limited

Profit and loss account

for the 15-month period ended 31 March 2008

	Note	Period ended 31 March 2008 £	Year ended 31 December 2006 £
Turnover – continuing operations	2	446,368	445,544
Cost of sales		-	(5,629,614)
Write back of costs expensed in the prior period	3	3,593,696	-
		<hr/>	<hr/>
Gross profit/(loss)		4,040,064	(5,184,070)
Administration expenses		(1,139,065)	(6,211)
		<hr/>	<hr/>
Operating profit/(loss) – continuing operations	4	2,900,999	(5,190,281)
Interest receivable and similar income	5	20,206	142
Interest payable and similar charges	6	-	(6,592,860)
Write back of interest costs expensed in the prior period	3	5,182,606	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		8,103,811	(11,782,999)
Tax on profit/(loss) on ordinary activities	7	(140,000)	-
		<hr/>	<hr/>
Profit/(loss) for the period	15	7,963,811	(11,782,999)
		<hr/>	<hr/>

The company had no recognised gains or losses in the financial period or preceding financial year other than those dealt with in the profit and loss account.

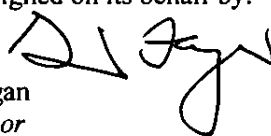
Clearstorm Limited

Balance sheet at 31 March 2008

	Note	31 March 2008 £	31 December 2006 £
Current assets			
Stocks	9	167,094,693	91,603,344
Debtors	10	1,982,523	428,647
Cash at bank		48,317	578,227
		<u>169,125,533</u>	<u>92,610,218</u>
Creditors: amounts falling due within one year	11	<u>(19,328,940)</u>	<u>(1,347,387)</u>
Net current assets		<u>149,796,593</u>	<u>91,262,831</u>
Total assets less current liabilities		<u>149,736,593</u>	<u>91,262,831</u>
Creditors: amounts falling due after one year	12	<u>(166,964,018)</u>	<u>(116,394,067)</u>
Net liabilities		<u>(17,167,425)</u>	<u>(25,131,236)</u>
Capital and reserves			
Called up share capital	14	1,000	1,000
Profit and loss account	15	<u>(17,168,425)</u>	<u>(25,132,236)</u>
Shareholders' deficit - equity interests	16	<u>(17,167,425)</u>	<u>(25,131,236)</u>

These financial statements were approved by the board of directors on 18 December 2008 and were signed on its behalf by:

B. Fagan
Director



Clearstorm Limited

Notes

forming part of the financial statements

1 Basis of preparation and going concern, principal risks and uncertainties

The company is a member of the group headed by Ballymore Properties Holdings Limited (note 16). The company's ability to continue as a going concern is linked to the group's ability to continue as a going concern.

The directors consider that the principal risks and uncertainties faced by the company and group are as follows:

Economic risk

- The risk of interest rate movements, the availability of finance and inflation having an adverse impact on property markets.
- The risk of unrealistic increases in development and operating costs impacting adversely on competitiveness of the company.
- The impact of planning decisions on the company's assets.

These risks are managed by due consideration to the interest rate environment, business planning, strict cost control and management of planning applications. In response to the current economic environment, the group has introduced a cost reduction programme.

Market risk

The directors manage market risk through careful attention to residential and commercial property markets and through appropriate business planning and pricing.

Financial risk

The credit crisis and prevailing economic conditions have affected the availability of development and working capital finance in the property sector as well as impacting prospective property purchasers. The directors are working closely with the group's key stakeholders in order to mitigate these factors.

The company and group's ability to realise the value of its property related assets and continue as a going concern is largely dependent on the continued financial support of their banks and other funders. The directors reviewed financial projections for a period of 12 months from the date of approval of these financial statements and assessed the company and group's required credit facilities. The directors also note that, notwithstanding the difficult market conditions, the group continues negotiate the renewal of its banking facilities and continues to put in place new credit facilities with its bankers.

On the basis of the company and group's existing credit facilities, its strong ongoing relationships with its bankers, the continuation of funding and having reviewed financial projections, the directors believe that appropriate funding will be available to the company to meet its obligations for the foreseeable future. Ballymore Properties Holdings Limited has indicated that it will continue to provide funds to enable the company to meet its obligations as they fall due. Accordingly, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Clearstorm Limited

Notes (continued)

2 Turnover

	Period ended 31 March 2008 £	Year ended 31 December 2006 £
Rental income	446,368	445,544
All turnover is generated in the United Kingdom.		

3 Change in accounting estimate

	Period ended 31 March 2008 £	Year ended 31 December 2006 £
Write back of costs expensed in the prior period	3,593,696	-
Write back of interest costs expensed in the prior period	5,182,606	-
Effect of change in accounting estimate	8,776,302	-

As a result of a review of the status of development of certain properties following the change in control of the company (note 17), costs and interest charges of £8.8 million, expensed to the profit and loss account in the prior period, were written back and capitalised in the current period. In the directors' view, the costs incurred on these properties met the criteria for capitalisation from 1 April 2006, which is consistent with the company and group's accounting policies and, as a result, does not require restatement of comparatives.

4 Statutory information

	Period ended 31 March 2008 £	Year ended 31 December 2006 £
Operating profit/loss is stated after charging:		
Auditor's remuneration	-	5,936
Directors' remuneration	-	-

Audit fees are discharged by another group company.

Clearstorm Limited

Notes (continued)

5	Interest receivable and similar income	Period ended 31 March 2008 £	Year ended 31 December 2006 £
	Interest receivable on deposits	20,206	142
6	Interest payable and similar charges	Period ended 31 March 2008 £	Year ended 31 December 2006 £
	On bank loans and overdrafts due to be repaid wholly within 5 years, none of which is repayable by instalments	8,308,471	6,592,860
	Less: capitalised interest included in stock incurred in period ended 31 March 2008	(8,308,471)	-
		-	6,592,860
7	Taxation	Period ended 31 March 2008 £	Year ended 31 December 2006 £
	Current tax on income for the period	140,000	-
	Total current tax	140,000	-
	Tax on profit/(loss) on ordinary activities	140,000	-

Clearstorm Limited

Notes (continued)

7 Taxation (continued)	Period ended 31 March 2008 £	Year ended 31 December 2006 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	8,103,811	(11,782,999)
	<hr/>	<hr/>
Current tax at 30%	2,431,143	(3,534,900)
Utilisation of tax losses	(2,291,171)	-
Expenses not deductible for tax purposes	28	-
Group relief	-	3,534,900
	<hr/>	<hr/>
	140,000	-
	<hr/>	<hr/>

The UK corporation tax rate is currently 30% but is expected to be reduced to 28% effective from 1 April 2008.

8 Staff numbers and costs

The company has no employees. No emoluments are paid to the directors of the company.

9 Stock	31 March 2008 £	31 December 2006 £
Work in progress, stated at cost	58,243,199	-
Development properties, stated at cost	108,851,494	91,603,344
	<hr/>	<hr/>
	167,094,693	91,603,344
	<hr/>	<hr/>

The amount at which stock is stated includes capitalised interest of £17,085,516 (2006: £3,594,439).

There are no material differences between the replacement cost of stock and the balance sheet amounts.

Clearstorm Limited

Notes (continued)

10 Debtors	31 March 2008 £	31 December 2006 £
Trade debtors	21,660	31,201
Prepayments and accrued income	1,893,189	-
VAT recoverable	67,674	397,446
	<u>1,982,523</u>	<u>428,647</u>
All debtors fall due within one year.		
11 Creditors: amounts falling due within one year	31 March 2008 £	31 December 2006 £
Accruals	29,999	45,002
Amounts owed to group undertakings	19,158,941	1,302,385
Other including tax	140,000	-
	<u>19,328,940</u>	<u>1,347,387</u>
12 Creditors: amounts falling due after one year	31 March 2008 £	31 December 2006 £
Bank loans and overdrafts (note 12)	151,714,018	106,394,067
Deferred purchase consideration	15,250,000	10,000,000
	<u>166,964,018</u>	<u>116,394,067</u>

The deferred purchase consideration may increase by up to £7,500,000 in the event that specified density targets are exceeded. The deferred purchase consideration is secured by a first legal charge on the property.

Clearstorm Limited

Notes (continued)

13 Bank borrowings

	Between two and five years £	Total £
Repayable other than by instalments	151,714,018	151,714,018

The bank loans are secured by fixed and floating charges over the assets of the company.

The lender is entitled to receive contingent finance fees based on a percentage of the profits earned on the successful development of the company's properties.

14 Share capital

	31 March 2008 £	31 December 2006 £
<i>Authorised</i>		
510 'A' ordinary shares of £1 each	510	510
490 'B' ordinary shares of £1 each	490	490
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
510 'A' ordinary shares of £1 each	510	510
490 'B' ordinary shares of £1 each	490	490
	<u>1,000</u>	<u>1,000</u>

15 Reconciliation of profit and loss account

	31 March 2008 £	31 December 2006 £
At beginning of period/year	(25,132,236)	(13,349,237)
Profit/(loss) for the period/year	7,963,811	(11,782,999)
	<u>(17,168,425)</u>	<u>(25,132,236)</u>

Clearstorm Limited

Notes (continued)

16 Reconciliation of movement in shareholders' deficit	31 March 2008 £	31 December 2006 £
At beginning of period/year	(25,131,236)	(13,348,237)
Profit/(loss) for the period/year	7,963,811	(11,782,999)
At end of period/year	<u>(17,167,425)</u>	<u>(25,131,236)</u>

17 Ultimate holding entity

The company is a wholly owned subsidiary of Ballymore Properties Limited. Ballymore Properties Limited is incorporated in England and Wales. . That company's parent is Ballymore Limited, a company incorporated in England and Wales, whose parent is Ballymore Properties Holdings Limited, a company incorporated in England and Wales. The company's ultimate parent company is Ballymore Properties, a company incorporated in the Republic of Ireland. The company was controlled throughout the period by Mr S Mulryan. Prior to 22 May 2007, the company was owned 51% and 49% by Irish Nationwide Building Society and Ballymore Properties Limited respectively. Irish Nationwide Building Society is incorporated and operates in the Republic of Ireland.

The largest group in which the results of the company and its subsidiary undertakings are consolidated is that headed by Ballymore Properties.

The smallest group in which the results of the company are consolidated is that headed by Ballymore Properties Holdings Limited. The consolidated financial statements of Ballymore Properties Holdings Limited are available from the company's registered office which is St Johns House, 5 South Parade, Summertown, Oxford, OX2 7JL.

The company has availed of the exemption available in FRS 8 – *Related Party Disclosures*, from disclosing transactions with Ballymore Properties Holdings Limited and its subsidiary undertakings.

18 Future commitments and contingencies

Additional amounts may become payable to property vendors in the event that specified density targets are exceeded on planning approval. The company may also incur contingent finance costs as described in note 11.

Clearstorm Limited

Notes *(continued)*

19 Cash flow statement

A separate cash flow statement has not been prepared under FRS 1 - *Cash Flow Statements*, as a consolidated cash flow statement has been prepared and included in the consolidated financial statements of Ballymore Properties Holdings Limited and its subsidiaries.

20 Post balance sheet events

There are no significant post balance sheet events which would materially affect the financial statements.

21 Approval of financial statements

The directors approved the financial statements on 18 December 2008.