

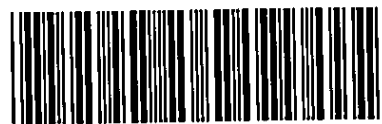
**Wolsey II Limited**

Report and Financial Statements

Year Ended

31 December 2008

TUESDAY



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COMPANIES HOUSE

**BDO**  
BDO Stoy Hayward  
Chartered Accountants

## **Wolsey II Limited**

### **Annual report and financial statements for the year ended 31 December 2008**

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#### **Directors**

M A Ratcliffe  
S M Ratcliffe  
T I Percival  
N Solomon  
G H Tilston  
S W O'Brien

#### **Secretary and registered office**

S M Ratcliffe, Munro House, Portsmouth Road, Cobham, Surrey KT11 1PA

#### **Company number**

4271296

#### **Auditors**

BDO Stoy Hayward LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA.

#### **Bankers**

Bank of Scotland, The Mound, Edinburgh, Scotland, EH1 1YZ

#### **Solicitors**

Laytons, Carmelite, 50 Victoria Embankment, London, EC4Y 0LS

## **Wolsey II Limited**

### **Report of the directors for the year ended 31 December 2008**

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The directors present their report together with the audited financial statements for the year ended 31 December 2008.

#### **Principal activities and future developments**

The principal activities of the company comprises the provision of finance for residential developments and the management of residential development projects.

The only source of income for the company since 2006 has been from the investments that the company sold in August 2006 to Wolsey Residential Finance plc, a related party until 15 September 2008 and which were managed by Wolsey Securities Limited a group company. Under the legal agreements signed with these related companies, as part of the August 2006 disposal, income earned from these investments after financing and overhead costs were to be remitted to the company subject to certain covenants being met. In addition a proportion of administrative and finance costs incurred by Wolsey Securities Limited were chargeable to the company. However, due to the economic downturn in 2008 and its impact on residential investments no income was remitted in 2008 and the legal contracts between the company and Wolsey Securities Limited and Wolsey Residential Finance plc were renegotiated in September 2008 with the affect that further income is extremely unlikely to be recovered by the company. In the view of the directors therefore the company ceased to trade on 15 September 2008.

The company has positive net assets as at the 31 December 2008 of £0.4m and has low levels of overheads going forward, with no further recharges of overheads anticipated from Wolsey Securities Limited. At the same time Wolsey Securities Limited has deferred the repayment of a loan of £1.3m until such time that the company can reasonably afford to make such payment. The directors therefore have a reasonable expectation that the company has adequate resources to continue its operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

**Review of the business**

The profit and loss account is set out on page 7 and shows the loss for the year.

No dividends were paid during the current or prior year.

The directors believe the outturn for 2008 for the company was disappointing but reflected the impact of the credit crunch and its impact on the housing market. The market activity in the first quarter of 2008 was slow in line with expectations. However, after March 2008 activity declined dramatically in line with other businesses in this sector and has not recovered. In overall terms completions in the Wolsey Residential Finance plc portfolio were at 52% of the previous year with the lack of credit availability affecting mortgage markets as seen by cancellation rates (of sales prior to exchange) in the Wolsey Residential finance plc portfolio of 81% in the nine months from April 2008 to December 2008.

As a consequence no income was earned in 2008 from the investments sold to Wolsey Residential Finance plc. Set against this background and before any exceptional adjustments no turnover was reported (negative turnover of £0.6m in 2007) in the year to 31 December 2008 whilst administrative expenses increased from £0.5m in 2007 to £1.5m in 2008 with bad debts written off of £0.1m in 2008 (£0.5m in 2007) and administrative expenses recharged from other group companies of £1.4m in 2008 (£nil in 2007).

Due to the impact of the economic climate on the performance of the investments in Wolsey Residential Finance plc, the directors took the decision to provide for the debtor balance with Wolsey Residential Finance plc in the 2007 accounts as the recovery of this was dependant on the performance of these investments, with an exceptional charge of £2.2m to profit resulting. In addition and for the same reasons the Company has had to write off inter company balances of £4.5m in 2007 and has provided a further £1.9m against inter company balances in 2008. The net impact of these exceptional items is a net charge to profit of £1.9m in 2008 and 6.7m in 2007.

**Principal risks and uncertainties**

The main financial risks arising from the company's activities are investment or credit risk and liquidity risk. These are monitored by the board of directors.

The company's investment or credit risk is primarily attributable to its management of Wolsey Residential Finance plc's investments in residential development with joint venture partners, as affected by fluctuations in the housing market, the underlying economics of the joint venture partner, the performance of the joint venture partners in implementing a development and the accuracy of the initial investment appraisal. Investment or credit risk is managed by carrying out due diligence on new investments and new joint venture partners, by monitoring payments against investment appraisals, by securing a second charge and personal or company guarantee against developments, and by requiring external valuations prior to any draw down on an investment. No value has been attributed to the guarantees but the second charges are underpinning the valuations reached on investments.

The company's policy in respect of liquidity risk is to ensure that the company has sufficient funds for operations and to monitor income repayments against budget.

The company monitors cash flow as part of its normal control procedures.

## **Wolsey II Limited**

### **Report of the directors for the year ended 31 December 2008 (*Continued*)**

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#### **Directors**

The directors of the company during the year were:

M A Ratcliffe  
S M Ratcliffe  
E W Grove (resigned 31 March 2008)  
T I Percival  
N Solomon  
G H Tilston  
S W O'Brien

#### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 year. 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; 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 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.

**Wolsey II Limited**

**Report of the directors for the year ended 31 December 2008 (*Continued*)**

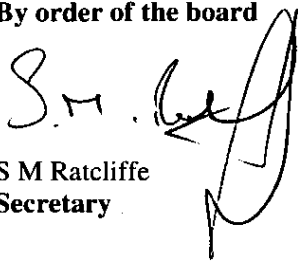
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**Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the board**

A handwritten signature in black ink, appearing to read 'S.M. Ratcliffe', is written over a large, stylized, circular mark that resembles a stylized 'R' or a large 'Q'.

**S M Ratcliffe**  
**Secretary**

Date: 30 April 2009

## **Wolsey II Limited**

### **Independent auditor's report**

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#### **To the shareholders of Wolsey II Limited**

We have audited the financial statements of Wolsey II Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. 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 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

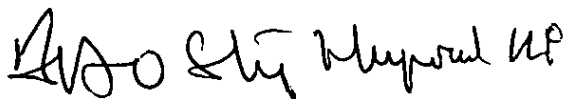
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss 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.



**BDO STOY HAYWARD LLP**  
*Chartered Accountants*  
*and Registered Auditors*  
Gatwick

Date: 



**Wolsey II Limited****Profit and loss account for the year ended 31 December 2008**

	<b>Note</b>	<b>2008 £</b>	<b>2007 £</b>
<b>Turnover</b>	2	-	(626,053)
Administrative expenses - including exceptional costs of £1,900,000 (2007 - £6,731,807)	4	<u>3,422,594</u>	<u>7,194,345</u>
<b>Operating loss</b>	3	<b>(3,422,594)</b>	<b>(7,820,398)</b>
Other interest receivable and similar income		545	712
Interest payable and similar charges	5	<u>-</u>	<u>(881)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(3,422,049)</b>	<b>(7,820,567)</b>
Taxation on loss on ordinary activities	6	<u>562,613</u>	<u>14,632</u>
<b>Loss on ordinary activities after taxation</b>		<b>(2,859,436)</b>	<b>(7,805,935)</b>

All amounts relate to continuing activities.

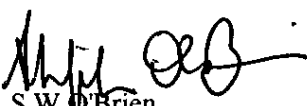
All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 9 to 14 form part of these financial statements.

**Wolsey II Limited****Balance sheet at 31 December 2008**

	Note	2008 £	2008 £	2007 £	2007 £
<b>Current assets</b>					
Debtors	7	1,695,569		3,279,985	
Cash at bank and in hand		4,350		2,095	
		<u>1,699,919</u>		<u>3,282,080</u>	
<b>Creditors: amounts falling due within one year</b>	8	4,024		4,600	
		<u></u>		<u></u>	
<b>Total assets less current liabilities</b>			1,695,895		3,277,480
<b>Creditors: amounts falling due after more than one year</b>	9		1,277,851		-
			<u>418,044</u>		<u>3,277,480</u>
<b>Capital and reserves</b>					
Called up share capital	10		3,000,000		3,000,000
Profit and loss account	11		(2,581,956)		277,480
			<u>418,044</u>		<u>3,277,480</u>
<b>Shareholders' funds</b>	12		418,044		3,277,480
			<u></u>		<u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 April 2009.

  
S W O'Brien  
Director

The notes on pages 9 to 14 form part of these financial statements.

**1 Accounting policies**

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

The following principal accounting policies have been applied:

*Going Concern*

The only source of income for the company since 2006 has been from the investments that the company sold in August 2006 to Wolsey Residential Finance plc, a related party until 15 September 2008 and which were managed by Wolsey Securities Limited a group company. Under the legal agreements signed with these related companies as part of the August 2006 disposal, income earned from these investments after financing and overhead costs were to be remitted to the company subject to certain covenants being met. In addition a proportion of administrative and finance costs incurred by Wolsey Securities Limited were chargeable to the company. However, due to the economic downturn in 2008 and its impact on residential investments no income was remitted in 2008 and the legal contracts between the company and Wolsey Securities Limited and Wolsey Residential Finance plc were renegotiated in September 2008 with the affect that further income is extremely unlikely to be recovered by the company. In the view of the directors therefore the company ceased to trade on 15 September 2008.

The company has positive net assets as at the 31 December 2008 of £418,044 and has low levels of overheads going forward, with no further recharges of overheads anticipated from Wolsey Securities Limited. At the same time Wolsey Securities Limited has deferred the repayment of a loan of £1,277,851 until such time that the company can reasonably afford to make such payment. The directors therefore have a reasonable expectation that the company has adequate resources to continue its operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

*Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Wolsey Group Limited and the company is included in consolidated financial statements.

*Turnover*

Revenue is derived from the management of investments for Wolsey Residential Finance plc and represents asset management fees and when appropriate the share of profits on investments incorporating finance fees. Management fees are recognised on an accruals basis. In accordance with the terms of the agreement between Wolsey II Limited, Wolsey Securities Limited and Wolsey Residential Finance plc entitlement to finance fees is on a cash receipts basis and therefore finance fees are recognised only at this point.

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

**1 Accounting policies (continued)***Related party disclosure*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Wolsey Group Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

**2 Turnover**

All turnover is profit derived from the company's principal activities (finance fees and management fees both originating from the same class of business) and arises solely within the British Isles.

**3 Operating loss**

	2008 £	2007 £
This is arrived at after charging:		
Audit services	1,450	2,125
Non-audit services	2,575	2,500

No amounts were paid to employees or directors of the company either year. All employees relevant to Wolsey II Limited are remunerated by Wolsey Securities Limited, a fellow subsidiary company, and an appropriate recharge made to the company.

**4 Exceptional items**

Due to the impact of the economic climate on the performance of the investments in Wolsey Residential Finance plc, the directors took the decision to provide for the debtor balance with Wolsey Residential Finance plc in the 2007 accounts as the recovery of this was dependant on the performance of these investments, with an exceptional charge of £2,208,273 to profit resulting. In addition and for the same reasons the company has had to write off inter company balances of £4,523,534 in 2007 and has provided a further £1,900,000 against inter company balances in 2008. The net impact of these exceptional items is a net charge to profit of £1,900,000 in 2008 and £6,731,807 in 2007.

**5 Interest payable and similar charges**

	2008 £	2007 £
Bank loans and loan stock	-	881

**6 Taxation on loss on ordinary activities**

	2008 £	2007 £
<i>UK Corporation tax</i>		
Adjustment in respect of previous periods	(562,613)	(14,632)
	<u>          </u>	<u>          </u>

The tax assessed for the period is greater (2006 - greater) than the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 As restated £
Loss on ordinary activities before tax	(3,422,049)	(7,820,567)
	<u>          </u>	<u>          </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28.5% (2007 - 30%)	(975,284)	(2,346,170)
Effect of:		
Expenses not deductible for tax purposes	541,500	1,357,060
Utilisation of tax losses and other deductions	1,060,784	15,265
Other timing differences	(627,000)	618,316
Adjustment in respect of prior periods	(562,613)	(14,632)
Change in tax rates	-	58,681
Group relief surrendered	-	93,634
Losses carried forward	-	203,214
	<u>          </u>	<u>          </u>
Current tax charge for period	(562,613)	(14,632)
	<u>          </u>	<u>          </u>

**Wolsey II Limited****Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)****7 Debtors**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Amounts receivable within one year		
Trade debtors	<b>10,859</b>	91,039
Amounts owed by group undertakings	-	3,014,021
Corporation tax recoverable	<b>576,138</b>	15,265
Other debtors	-	438
Prepayments and accrued income	-	159,222
	<b>586,997</b>	3,279,985
Amounts receivable after more than one year		
Amounts owed by group undertakings	<b>1,108,572</b>	-
Total debtors	<b>1,695,569</b>	3,279,985

**8 Creditors: amounts falling due within one year**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	<b>4,024</b>	4,600

**9 Creditors: amounts falling due after more than one year**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<b>1,277,851</b>	-

# Wolsey II Limited

## Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

### 10 Share capital

	2008 £	Authorised 2007 £	Allotted, called up and fully paid 2008 £	2007 £
Ordinary shares shares of £1 each	3,000,000	3,000,000	3,000,000	3,000,000

### 11 Reserves

	Profit and loss account £
At 1 January 2008	277,480
Loss for the year	(2,859,436)
At 31 December 2008	(2,581,956)

### 12 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Loss for the year	(2,859,436)	(7,805,935)
Opening shareholders' funds	3,277,480	11,083,415
Closing shareholders' funds	418,044	3,277,480

### 13 Related party disclosures

During 2006 Wolsey Securities Limited, a subsidiary of Wolsey Group Limited, signed an agreement with Wolsey Residential Finance plc, a company incorporated in England and Wales, to act as its sole agents responsible for the management of its residential development investments. The terms of this agreement had created a close relationship and as a result the directors were of the opinion that Wolsey Residential Finance plc was a quasi-subsiidiary of Wolsey Group Limited, the immediate and ultimate parent company of Wolsey II Limited. During the current year the terms of this agreement were amended and as a result the directors are of the opinion that Wolsey Residential Finance plc is no longer a quasi-subsiidiary of Wolsey Group Limited. There were no related party transactions with Wolsey Residential Finance plc during the period up to the date of the new agreement.

## **Wolsey II Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2008 *(Continued)***

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#### **14 Ultimate parent company and parent undertaking of larger group**

The largest and smallest group in which the results of the company are consolidated is that headed by Wolsey Group Limited. The consolidated accounts of this company are available to the public and may be obtained from Companies House.

No other group accounts include the results of the company.