Hungate (York) Regeneration Limited

Directors' report and financial statements

Registered number 04339730

For the year ended 30 June 2011

Contents

Directors' report

The directors present the directors' report and the audited financial statements for the year ended 30 June 2011

Principal activities

The principal activity of the company is that of property management and development

The Company is a limited company incorporated and domiciled in the United Kingdom The address of its registered office is Millshaw, Leeds, West Yorkshire, LS11 8EG

These financial statements were authorised for issue by the Board of Directors on 11 April 2012

Business review

The directors are pleased to provide their Business Review of the Company for the year ended 30 June 2011

The period in focus and key performance indicators

The Company has enjoyed a challenging, but successful year

Despite the challenges presented by the continuing limited mortgage finance availability and sluggish national economic growth, sales of this landmark riverside development within the city walls of York continued in the year to 2011at volumes and margins within management's expectations

The Company's revenue for the year of £3 9m is derived from the recognition of 26 residential units *(2010 £13 0m, 68 units)*

The Company's gross margin percentage 14 4% has increased in comparison to 2010 (*12 1%*), principally as a result of a slight shift in product mix as units in the first phase of the development completed

Reported interest costs for the year totalled £0 4m *(2010 £0 8m)*, the decrease on 2010 being principally due to a lower level of capitalised interest being written off to the profit and loss account as a result of a lower volume of sales, and the reduction in net debt during the year to £1 7m *(2010 £3 8m)*

Principal risks and uncertainties facing the business

Although many of the risk factors influencing the business are macroeconomic, others are particular to our operations The section below highlights some of the risks which affect the Company, although it is not intended to be an extensive analysis of all such risks

Risk area	**Risk factor**
Macro-economic climate	Interest rates, availability of finance for purchasers, employment levels and general economic sentiment have a direct impact on the demand for the Company's product
Health & safety	Site accidents or site related catastrophes, including fire and flood can result in serious injury or loss of life
Build – cost and program	The ability to manage the relationship with, and performance of, the contractors used by the Company impacts build cost, program and build quality
Sales – prices and volumes	Matching supply to demand in terms of product and price are key success factors to the business
Planning	Delays or refusals in obtaining commercially viable planning permission on the Company's land holdings which would impact future years' profitability
Government policy	Changes to government policy on housing (at both national and local level), including planning, affordable housing requirement and planning gain obligations all impact on the Company's business

Directors' report *(continued)*

Health & safety

Health & safety is of paramount importance to the Company, our vision is to operate incident and injury free We are committed to realising this wherever we have a presence As such the Company has a dedicated programme of education for both staff and our supply chain

Environment

The Company is committed to making significant long term contributions to the environmental, social and economic fabric of the communities in which it operates

Outlook

Despite the uncertainty created by current economic conditions, the directors are pleased with the current sales rates and margins being achieved by this unique development Given the success of the first phase of the scheme the Company will look to progress with the development of subsequent phases

Results and dividends

The Company's profit after taxation for the year is £60,000 *(2010 £402,000)*

The directors do not recommend the payment of a dividend *(2010 £Nil)*

Financial position

Shareholders' funds increased to £4 4m *(2010 £4 3m)* during the year

Directors

The directors who held office during the year under review and up to the date of this report were as follows

Mr HW Martin
Mr PT Millington
Mr C Murphy
Mr JO Pitt
Mr RJ Starkey (resigned 10 May 2011)
Mr KWB Hannah
Mr MD Dickinson (appointed 10 May 2011)

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 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

Directors' report *(continued)*

Auditors

On 24 January 2005, an elective resolution was passed to dispense with the holding of Annual General Meetings, the laying of reports and accounts before the Company in general meeting and the obligation to re-appoint auditors annually

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

By order of the board

C Murphy
Director

Millshaw
Leeds
West Yorkshire
LS11 8EG

11 April 2012

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

Independent auditor's report to the members of Hungate (York) Regeneration Limited

We have audited the financial statements of Hungate (York) Regeneration Limited for the year ended 30 June 2011 set out on pages 7 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Hungate (York) Regeneration Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

M. Froom

M Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

11 April 2012

Profit and loss account
for the year ended 30 June 2011

	Notes	**2011** **£000**	2010 £000
Turnover	*1*	**3,920**	13,022
Cost of sales		**(3,356)**	(11,451)
Gross profit		**564**	1,571
Administrative expenses		**(33)**	(220)
Operating profit		**531**	1,351
Interest receivable and similar income		**-**	1
Interest payable and similar charges	*4*	**(449)**	(794)
Profit on ordinary activities before taxation	*3*	**82**	558
Tax on profit on ordinary activities	*5*	**(22)**	(156)
Profit on ordinary activities after taxation, being profit for the financial year transferred to reserves	*12*	**60**	402

All amounts relate to continuing activities

There were no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
at 30 June 2011

	Notes	2011 £000	2010 £000
Current assets			
Stock	6	**29,623**	31,657
Debtors	7	**48**	11
Cash at bank and in hand		**92**	723
		29,763	32,391
Creditors. Amounts falling due within one year	8	**(2,254)**	(419)
Net current assets		**27,509**	31,972
Creditors· Amounts falling due after more than one year	9	**(23,113)**	(27,636)
Net assets		**4,396**	4,336
Capital and reserves			
Called up share capital	10	**3,155**	3,155
Profit and loss account	11	**1,241**	1,181
Shareholders' funds	12	**4,396**	4,336

These financial statements were approved by the board of directors on 11 April 2012 and were signed on its behalf by

C Murphy
Director

Registered number 04339730

Cash flow statement

for year ended 30 June 2011

	Note	**2011** **£000**	2010 £000
Net cash inflow from operating activities	*13*	**2,394**	11,180
Returns on investment and servicing of finance			
Interest received		**-**	1
Interest paid		**(121)**	(227)
Net cash outflow from returns on investment and servicing of finance		**(121)**	(226)
Taxation		**-**	-
Financing			
Decrease in borrowings		**(2,904)**	(15,497)
Net cash outflow from financing		**(2,904)**	(15,497)
Decrease in net cash		**(631)**	(4,543)
Reconciliation to net debt			
Net debt at 1 July 2010/1 July 2009	*14*	**(3,829)**	(14,651)
Decrease in net cash		**(631)**	(4,543)
Movement in borrowings		**2,904**	15,497
Other non-cash changes		**(132)**	(132)
Net debt at 30 June 2011/30 June 2010	*14*	**(1,688)**	(3,829)

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

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 on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

Going concern

The Directors have assessed that the company will continue to be able to meet its financial liabilities as they fall due for the twelve months following the signing date of these financial statements The bank facility, which is due to expire on 30 June 2012, was fully paid down in December 2011

For this reason, the Directors continue to adopt the going concern basis in preparing these financial statements

Turnover

Turnover and profits from the sale of development properties is recognised in the profit and loss account when

- the significant risks and rewards have been transferred to the buyer,
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the development properties sold,
- the revenue can be measured reliably and it is probable that the company will receive the consideration due, and
- the company can measure reliably the costs incurred or to be incurred

All turnover arises within the UK and from one class of business

Taxation

The charge for taxation is based on the profit for the period 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, in respect of all timing differences which have originated but not reversed by the balance sheet date, except as otherwise required by FRS 19

Stock

Property in the course of development is valued at the lower of direct cost and net realisable value Direct cost comprises the cost of land, raw materials, interest and development costs but excludes indirect overheads

The recoverable amount of inventory is assessed at each financial year and a provision for the diminution of value is raised by the Directors where cost (including costs to complete) exceeds net realisable value In determining the recoverable amount, the directors have regard to the market conditions affecting the development, and the underlying strategy for selling the property

Bank loans and overdrafts

Borrowings are classified as creditors falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

Notes
(forming part of the financial statements)

1 Accounting policies (continued)

Borrowing costs

Borrowing costs include interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings Ancillary costs incurred in the connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings

Borrowing costs are expensed as incurred except when funds are borrowed specifically for the acquisition and construction of the development, in these circumstances, borrowing costs are capitalised to the costs of the assets When funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to that borrowing

Notes (continued)

2 Directors and employees

No director received any emoluments during the year for services to this company *(2010 £Nil)*

There were no employees during the year *(2010 Nil)*

3 Profit on ordinary activities before taxation

	2011 £000	2010 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Auditors remuneration – audit of these financial statements	**3**	-
Bank interest receivable	**-**	(1)
Bank interest payable (Note 4)	**449**	794

4 Interest payable and similar charges

	2011 £000	2010 £000
Interest payable and similar charges		
Bank loans and overdrafts	**121**	227
Amortisation of loan set up costs	**132**	132
Amortisation of interest capitalised to stock	**196**	435
Net interest payable	**449**	794

Notes (continued)

5 Taxation

Analysis of charge in year

	2011 £000	2010 £000
UK corporation tax		
Current tax on profit for the year	22	156
Total current tax charge	22	156

Factors affecting the tax charge for the current year

The standard rate of corporation tax in the UK reduced during the year from 28% to 26% with effect from 1 April 2011 As a result, the average standard rate of corporation tax applicable to the Company for the year was 27 5% *(2010 28%)* A reconciliation of the current tax charge *(2010 charge)* is provided below

	2011 £000	2010 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	82	558
Current tax using the UK corporation tax rate of 27 5% *(2010 28%)*	22	156
Total current tax charge for the year	22	156

The Budget on 23 March 2011 announced that the UK Corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011 The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 30 March 2012 This will reduce the company's future current tax charge accordingly

6 Stocks

	2011 £000	2010 £000
Work in progress	29,623	31,657

Notes (continued)

7 Debtors

	2011 £000	2010 £000
Other debtors	**48**	11

8 Creditors: Amounts falling due within one year

	2011 £000	2010 £000
Bank loans	**1,780**	-
Trade creditors	-	3
Accruals and deferred income	**161**	98
Corporation tax payable	**311**	289
Other creditors	**2**	29
	2,254	419

The bank loan is a five year revolving credit facility secured by way of a charge over the assets under development Interest is charged at 0 95% above LIBOR Carrying value of the bank loan is shown net of capitalised loan set up costs of £106,000 *(2010 £238,000)* (see Note 4)

9 Creditors: Amounts falling due after more than one year

	2011 £000	2010 £000
Bank loans	-	4,552
Amounts owed to related undertakings (note 15)	**23,113**	23,084
	23,113	27,636

Notes (continued)

10 Called up share capital

	2011 £000	2010 £000
Authorised, allotted, called up and fully paid		
300 000 *(2010 300,000)*"A" ordinary shares of £1 each	**300**	300
300,000 *(2010 300,000)* "B" ordinary shares of £1 each	**300**	300
300,000 *(2010 300,000)*"C" ordinary shares of £1 each	**300**	300
2,255,000 *(2010 2,255,000)* deferred ordinary shares of £1 each	**2,255**	2,255
	3,155	3,155

The "A", "B" and "C" ordinary shares rank pari passu in every respect

The deferred shares confer no voting rights and no right to dividend The shares' right to return of assets in the event of winding up or other distribution is subordinated to that of the "A", "B" and "C" shares

11 Reserves

	Profit and loss account £000
At beginning of the year	1,181
Profit for the financial year	60
At end of the year	**1,241**

12 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit for the financial year	**60**	402
Opening equity shareholders' funds	**4,336**	3,934
Closing equity shareholders' funds	**4,396**	4,336

Notes (continued)

13 Cash flow from operating activities

Reconciliation of operating profit to net cash flow from operating activities

Continuing operations	2011 £000	2010 £000
Operating profit	**531**	1,351
Decrease in stocks	**1,838**	9,559
(Increase)/decrease in debtors	**(37)**	232
Increase in creditors	**61**	38
Net cash inflow from operating activities	**2,393**	11,180

14 Analysis of net debt

	As at 1 July 2010 £000	Cash flow £000	Non-cash Changes £000	As at 30 June 2011 £000
Cash in hand and at bank	**723**	(631)	-	**92**
Bank loans due within 1 year	**(4,552)**	2,904	(132)	**(1,780)**
Net debt	**(3,829)**	2,273	(132)	**(1,688)**

Non-cash changes comprise amortisation of capitalised loan set up costs

15 Related party transactions

The following transactions were carried out with related parties

During the year, Lend Lease Residential (Yorkshire) Limited, a joint venture partner, provided management services to the company to the value of £29,000 *(2010 £222,000)*

	2011 £000	2010 £000
Year-end balances arising from sales/purchases of goods/services		
Lend Lease Residential (Yorkshire) Limited	**487**	458
	487	458
Year end balances arising from development funding from shareholders		
White Rose Property Investments No 2 Limited	**7,542**	7 542
LS Hungate Limited	**7,542**	7,542
Lend Lease Residential (Yorkshire) Limited	**7,542**	7,542
	22,626	22,626
Total related party creditors due after more than one year (Note 9)	**23,113**	23,084

Notes (continued)

16 Joint venture and ultimate controlling parties

At 30 June 2011, the company was a joint venture between White Rose Property Investments No 2 Limited, LS Hungate Limited and Lend Lease Residential (Yorkshire) Limited, all registered in England and Wales

The directors consider that none of the undertakings set out below are able to act as the ultimate controlling party of the company

Name of undertaking	Description of shares held	Proportion of nominal value of ordinary/deferred shares held
White Rose Property Investments No 2 Limited	Ordinary	33 3%
LS Hungate Limited	Ordinary	33 3%
Lend Lease Residential (Yorkshire) Limited	Ordinary	33 3%
Lend Lease Residential (Yorkshire) Limited	Deferred	100%