

LINDEN NEW HOMES LIMITED

Registered Number 04391802

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005



LINDEN NEW HOMES LIMITED
REPORT AND FINANCIAL STATEMENTS 2005

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

LINDEN NEW HOMES LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Davies
B J Morrissey
D W Tilman

SECRETARY

Z Stone (Resigned 27/01/06)
B J Morrissey (Appointed 27/01/06)

REGISTERED OFFICE

Linden House
Guards Avenue
Caterham
Surrey
CR3 5XL

BANKERS

Bank of Scotland
38 St. Andrew Square
Edinburgh
EH2 2YR

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

SOLICITORS

Pitmans
47 Castle Street
Reading
Berkshire
RG1 7SR

LINDEN NEW HOMES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The company's principal activities are the building and selling of residential homes.

BUSINESS REVIEW

The company sold 38 homes during the year (2004: 162).

FUTURE PROSPECTS

The company still has one major development to complete, this was profitable during 2005 and is expected to continue to be into 2006.

RESULTS AND DIVIDENDS

The result for the year is set out in the profit and loss account on page 6.

The company made a profit on ordinary activities after taxation of £618,000 (2004: £4,739,000).

No dividends are paid in respect of 2005 (2004: £nil).

DIRECTORS AND THEIR INTERESTS

The directors listed on page 1 held office throughout the year, except where noted.

Other than as disclosed below, no director had any interest in the shares or debentures of the company or any other group company during the current or prior year.

The beneficial interests in the ordinary shares of the ultimate parent company, Linden Holdings PLC, were as follows

	31 December 2005	31 December 2004
	Number	Number
B J Morrissey	50,000	50,000

The interests of P J Davies and D W Tilman in the ultimate parent company, Linden Holdings PLC, are disclosed in the accounts of Linden Holdings PLC.

DONATIONS

During the year, the company made no charitable donations (2004: £nil).

LINDEN NEW HOMES LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL INSTRUMENTS

Linden Group uses medium term loans in order to finance its operations. Its subsidiaries participate in a revolving credit facility which is provided as part of this loan. Interest rate risk is mitigated by entering into swap agreements which fix the floating interest rate on the loan facilities.

The Group's credit risk is attributable to its debtors, which are presented in the balance sheet net of any provision for bad debts. The Group only enters into material transactions with reputable and established businesses. The Group mitigates its cash flow risk by maintaining a rolling cash flow forecast which is regularly updated for any changes in the business. This forecast is used to assess the entity's ability to meet its future cash commitments and to ensure that loan covenants will be met. The Group does not consider any price risk to be material.

POLICY ON PAYMENT OF CREDITORS

It is the company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. At 31 December 2005 the number of days credit taken for purchases by the company was 20 days (2004: nil).

AUDITORS

The company has elected to dispense with the obligation to appoint auditors annually pursuant to section 386 of the Companies Act 1985 (as amended). Therefore, Deloitte & Touche LLP are deemed to continue as Auditors.

Approved by the Board of Directors and signed on behalf of the Board



B J Morrissey

Secretary

16 May 2006

LINDEN NEW HOMES LIMITED

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company 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; 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 the system of internal control, for safeguarding the assets of the company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINDEN NEW HOMES LIMITED

We have audited the financial statements of Linden New Homes Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 15. 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 auditors' 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
16 May 2006

LINDEN NEW HOMES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2005

	<u>Notes</u>	2005 £'000	2004 £'000
TURNOVER	2	8,269	97,038
Cost of sales		(7,266)	(86,541)
GROSS PROFIT		<hr/> 1,003	<hr/> 10,497
Administrative expenses		(6)	(9)
OPERATING PROFIT	3	997	10,488
Other interest receivable and similar income		4	318
Interest payable and similar charges	4	(118)	(4,129)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 883	<hr/> 6,677
Tax charge on profit on ordinary activities	6	(265)	(1,938)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT TRANSFERRED TO RESERVES	11	<hr/> 618	<hr/> 4,739

There are no recognised gains and losses for the current year other than those stated above and therefore no statement of total recognised gains and losses is required.

All amounts derive from continuing operations.

LINDEN NEW HOMES LIMITED

BALANCE SHEET

As at 31 December 2005

	<u>Notes</u>	2005 £'000	2004 £'000
CURRENT ASSETS			
Stocks	7	9,574	12,688
Debtors	8	133	51,652
Cash at bank and in hand		-	5,517
		<hr/>	<hr/>
		9,707	69,857
CREDITORS: amounts falling due within one year	9	(1,459)	(62,227)
		<hr/>	<hr/>
NET ASSETS		8,248	7,630
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	10	2,500	2,500
Profit and loss account	11	5,748	5,130
		<hr/>	<hr/>
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	8,248	7,630
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 16 May 2006.

Signed on behalf of the Board of Directors



D W Tilman
Director

LINDEN NEW HOMES LIMITED
Notes to the accounts for the year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently in the current and prior year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover relates to the sale of houses (recognised on the financial completion of the sale of the house) and of land (recognised on the unconditional exchange of contracts). The recognition of Housing Association turnover is dependent on the stage of completion based on an external valuation.

Stocks

Stocks of land and work in progress are valued at the lower of invoiced cost and net realisable value. Work in progress comprises direct site costs including materials and labour.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash Flow Statement

The company is a wholly owned subsidiary of Linden Holdings plc and the cash flows for the company have been included in the consolidated cashflow statement of Linden Holdings plc. Consequently the company is exempt under Financial Reporting Standard 1 (revised) from the requirement to prepare a cashflow statement.

Gross Profit

Gross profit is recognised by applying the forecast margin on sites to all elements of turnover on that site. The margin recognised in the current year is calculated on the overall margin which is forecast on the cumulative turnover for the current and future years. No revision is made to profit already recognised in prior years.

2. TURNOVER

A segmental analysis of turnover, between housing developments, land sales and sales of sites to subsidiary companies are set out below. All turnover arose within the UK.

	2005 £'000	2004 £'000
Housing developments	7,351	38,321
Land sales	918	7,361
Sale of sites to fellow subsidiary companies	-	51,356
	<hr/> 8,269	<hr/> 97,038

LINDEN NEW HOMES LIMITED

Notes to the accounts for the year ended 31 December 2005

3. OPERATING PROFIT

	2005 £'000	2004 £'000
Operating profit is stated after charging -		
Auditors' remuneration		
- audit fees	5	10
- taxation services	1	1

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £'000	2004 £'000
Interest on bank loans, overdrafts and other loans	118	4,129

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no remuneration in respect of their services to the company in the current or preceding year.
The company had no employees other than directors in the current or preceding year.

6. TAXATION

	2005 £'000	2004 £'000
Tax on profits at 30%	-	1,971
Group relief	265	-
Adjustment in respect of prior year	-	(33)
	265	1,938

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	883	6,677
Tax on profit on ordinary activities at 30%	265	2,003
<i>Factors affecting charge for the year:</i>		
Land remediation relief	-	(32)
Prior year adjustment	-	(33)
Current tax charge for the year	265	1,938

LINDEN NEW HOMES LIMITED

Notes to the accounts for the year ended 31 December 2005

7. STOCKS	2005 £'000	2004 £'000
Land and land options	5,056	8,577
Work-in-progress	4,518	4,111
	<hr/> 9,574	<hr/> 12,688
	<hr/>	<hr/>
8. DEBTORS	2005 £'000	2004 £'000
Amounts owed by group undertakings	1	51,356
Group relief receivable	-	16
Tax and Social Security	-	280
Other debtors	132	-
	<hr/> 133	<hr/> 51,652
	<hr/>	<hr/>
All amounts are due within one year.		
9. CREDITORS: amounts falling due within one year	2005 £'000	2004 £'000
Bank overdraft	1,032	-
Amounts due to related companies	-	60,990
Corporation tax	2	1,054
Group relief	12	-
Accruals and deferred income	5	183
Trade creditors	408	-
	<hr/> 1,459	<hr/> 62,227
	<hr/>	<hr/>
10. CALLED UP SHARE CAPITAL	2005 £'000	2004 £'000
Authorised		
1,250,000 A ordinary shares of £1 each	1,250	1,250
1,250,000 B ordinary shares of £1 each	1,250	1,250
	<hr/> 2,500	<hr/> 2,500
	<hr/>	<hr/>
Called up, allotted and fully paid		
1,250,000 A ordinary shares of £1 each	1,250	1,250
1,250,000 B ordinary shares of £1 each	1,250	1,250
	<hr/> 2,500	<hr/> 2,500
	<hr/>	<hr/>

All shares rank pari-passu.

LINDEN NEW HOMES LIMITED

Notes to the accounts for the year ended 31 December 2005

11. STATEMENT OF MOVEMENT ON RESERVES

Profit & loss
account
£'000

1st January 2005	5,130
Profit for the year	618
At 31 December 2005	5,748

12. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Profit for the year	618	4,739
Opening equity shareholders' funds	7,630	2,891
Closing equity shareholders' funds	8,248	7,630

13. PARENT COMPANY

The ultimate parent company and controlling party is Linden Holding PLC, a company incorporated in England and Wales. The immediate parent company is Linden Limited. Copies of the Group financial statements of Linden Holdings PLC are available from Linden House, Guards' Avenue, The Village, Caterham-on-the-Hill, Surrey, CR3 5XL.

The largest and smallest group that consolidates this company is Linden Holdings PLC.

14. RELATED PARTY TRANSACTIONS

Uberior Ventures PLC is a related party by virtue of its 35.2% shareholding in Linden Holdings PLC. Uberior Ventures PLC is owned by the Bank of Scotland, the Company's bankers. The company has taken advantage of the exemption in paragraph 3(c) of FRS.8 'Related Party Disclosures' from disclosing transactions with related parties that are part of the Linden Holdings PLC Group.

15. CONTINGENT LIABILITIES

Within the Linden Holdings PLC Group, all subsidiary companies have a cross guarantee against fellow Group companies' overdraft facilities.

The maximum exposure under this cross guarantee at 31 December 2005 was £151,038,000 (2004:£177,027,000).