

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

30 SEPTEMBER 2006

REGISTERED NUMBER 04422681

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COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2006

The Directors submit their annual report together with the accounts for the year ended 30 September 2006

DIRECTORS

The Directors of the Company during the year were

G S Cherry	
R P Hoyles	
R S Cherry	
C P Crook	
J Robertson	
M Pashley	
W S Benjamin	
R A James	Resigned 19 May 2006
A W Lamont	Appointed 19 May 2006

DIRECTORS' INTERESTS

No Director had at any time during the year any interest in the shares of the Company

BUSINESS REVIEW

Activities of the Company

The Company is a specialist developer of luxury residential apartments in Cambridge and is a joint venture between Countryside Properties (UK) Limited, Apollo Accordia LLC and Apollo Accordia (EU) LLC

The Company has undertaken the development of a former M A F F site at Brooklands Avenue, Cambridge. Construction of 73 dwellings commenced in September 2003 and completed in June 2006. Of these, 68 have been sold on the open market to date along with associated car parking. In addition, 100 affordable dwellings were constructed and sold to the Wherry Housing Association. In September 2006, land with a detailed planning consent for a further 192 residential plus 13 affordable dwellings was sold to Redeham Homes.

The Company has utilised Kajima Construction Europe (UK) Limited under Design & Build contracts for the procurement and construction of the development. Contract administration services have been provided to the Company under contract by Philip Pank Partnership.

On 3 October 2005, Kajima Construction Europe (UK) Limited paid a sum of £19.5m to the Company to settle all claims for delays under the current phase of the development and to release them from their obligations under a fixed price design and build contract for the remaining phases of the site at Brooklands Avenue, Cambridge. As explained in note 2 to the accounts, £16.8m of the £19.5m has been recognised as exceptional income in the year ended 30 September 2006. The balance of £2.7m has been recognised within cost of sales being attributable to Phase 1 of the development and receivable in the ordinary course of the Company's activities.

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006

Trading Results

The activities of the Company in the year resulted in the sale of 42 dwellings and associated car parking (2005 26). The average selling price of new dwellings sold during the year was £684k (2005 £327k). 8.88 acres of nett developable land was sold for £32,230,015 to Redeham Homes (Accordia) Limited on 30 September 2006. Turnover for the year was £64,672,601, (2005 £16,602,902) producing a post tax profit of £15,644,350 (2005 profit £831,240).

During the year, a dividend of £10,000,000 was paid to the shareholders (2005 Nil).

The Company was funded during the year by equity share capital, shareholder loans and a development loan facility provided by NatWest Bank. The development loan and shareholder loans were repaid in full during the year.

Business Environment

Trading conditions in respect of the development during the year proved challenging with increased incentive packages and discounting required to be offered to potential purchasers to affect the sale of apartments. The trading results of the Company reflect the market influence.

Future Outlook & Prospects

The remaining 5 units on the development have been sold post Balance Sheet date. No future development activities have been identified by the Directors and as such the Company will scale down operations in the forthcoming year.

Principle Risks & Uncertainties

As a result of the Company's activities in the year and the sales achieved after the balance sheet date, the Directors are of the opinion that there are no considered risks or uncertainties facing the Company in the short term.

POLITICAL AND CHARITABLE DONATIONS

The Company made no political or charitable donations in the year (2005 £Nil).

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006

DIRECTORS' RESPONSIBILITIES STATEMENT

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 and cashflow for the 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 confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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


AUDITORS

So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are not aware

The Directors have taken all the relevant steps that they ought to have taken in their duty 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

On 1 May 2002 the Company passed an elective resolution dispensing with the requirement to appoint auditors annually, lay accounts before a General meeting or hold an Annual General Meeting

By Order of the Board


G P Shillinglaw
Secretary

2.5. 2007

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

We have audited the financial statements of Countryside Properties (Accordia) Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cashflow Statement, 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 Annual Report and 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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.

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED (continued)

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 30 September 2006 and of its profit and cashflows 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

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

9 May 2007

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED
 PROFIT & LOSS ACCOUNT
 FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 £	2005 £
Turnover	1	64,672,601	16,602,902
Cost of sales		(57,710,547)	(13,410,107)
Gross profit		6,962,054	3,192,795
Administration expenses		(464,402)	(470,652)
Other operating income	2	16,751,473	-
Operating profit	3	23,249,125	2,722,143
Net interest payable and similar charges	4	(900,044)	(1,534,658)
Profit on ordinary activities before taxation		22,349,081	1,187,485
Taxation	5	(6,704,731)	(356,245)
Profit on ordinary activities after taxation		15,644,350	831,240
Dividend paid		(10,000,000)	-
Retained profit for the financial year	11	5,644,350	831,240

The profit for the financial year arises from continuing operations

There is no difference between the reported profit and the historical cost profit on ordinary activities before taxation

There were no recognised gains or losses incurred in the financial year other than those shown in the profit and loss account

The notes on pages 9 to 15 form part of these accounts

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Investments	6	-	21
CURRENT ASSETS			
Stocks	7	1,639,617	47,802,279
Debtors	8	2,668,451	279,138
Cash at bank		13,399,321	610,887
		<u>17,707,389</u>	<u>48,692,304</u>
CURRENT LIABILITIES			
Creditors due within one year	9	<u>(12,326,164)</u>	<u>(3,811,485)</u>
Net current assets		<u>5,381,225</u>	<u>44,880,819</u>
Total assets less current liabilities		5,381,225	44,880,840
Creditors due after more than one year	9	<u>-</u>	<u>(45,143,965)</u>
Net assets/(liabilities)		<u>5,381,225</u>	<u>(263,125)</u>
CAPITAL AND RESERVES			
Share capital	10	200	200
Profit and loss account	11	<u>5,381,025</u>	<u>(263,325)</u>
Total shareholders' funds/(deficit)	15	<u>5,381,225</u>	<u>(263,125)</u>

The notes on pages 9 to 15 form part of these accounts

Approved by the Board on

2.5. 2007

G S Cherry

A W Lamont

Directors

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 £	2005 £
NET CASH INFLOW/(OUTFLOW)FROM OPERATING ACTIVITIES	13	61,679,437	(617,732)
RETURN ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		186,592	93,517
Interest paid		(802,636)	(1,891,452)
Bank loan fees		(125,000)	-
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(741,044)	(1,797,935)
Equity dividends paid		(10,000,000)	-
TAXATION			
UK corporation tax paid		(2,649,980)	-
DISPOSALS			
Disposal of interest in subsidiary undertaking		21	-
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		48,288,434	(2,415,667)
FINANCING			
(Decrease)/increase in bank borrowings		(23,500,000)	327,366
(Decrease)/increase in shareholder loans		(12,000,000)	1,864,444
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(35,500,000)	2,191,810
INCREASE/(DECREASE) IN CASH	14	12,788,434	(223,857)

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES

The principal accounting policies of the Company are as follows

Changes in accounting policies

The Company has adopted FRS21, Events after the balance sheet date, FRS25, Financial instruments disclosure and presentation and FRS28, corresponding amounts during the year

In these financial statements the presentation requirements of FRS 25 "Financial Instruments presentation and disclosure" have been adopted for the first time. The impact of the adoption on the financial statements is that finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

FRS21 and FRS28 have not resulted in the restatement of retained earnings and have no impact on the results or net assets for the current or prior years.

Basis of Preparation

The accounts are prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985.

The Company does not prepare consolidated accounts on the grounds that the subsidiary entity performs an operation that is substantially different from the operations of the parent company.

Turnover

Turnover comprises sales of land and sales of properties where building has been completed and the property has been legally transferred to the purchaser. In the case of the long term building contract with Wherry Housing Association, turnover includes amounts invoiced during the year for work certified as completed under the contract. Sales of secondhand properties acquired solely to assist the sale of new properties under the Company's part-exchange scheme are not included in turnover.

Gross Profit

Profit is recognised on legal completion of the land sale and of each property at the margin contemplated to be received on the completion of the development. In the case of building contracts, profit is recognised against work certified under the contract at the margin anticipated on the completion of the development.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost of stocks comprises construction costs and other development expenditure.

The Directors regularly review all stocks and where, in their opinion, the net realisable value of any individual site is less than cost then provision is made to reduce the cost of stock to net realisable value. When each property is sold any provision which had been made against that unit at the previous year end is released to trading profit. Where net realisable value exceeds cost, no account is taken of the increase until it is realised.

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on the profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income and expense that are taxable in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of material timing differences that have originated but not reversed at the balance sheet date where the transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. Deferred tax is measured at the tax rate expected to apply when the timing differences reverse, based on tax rates enacted, or substantially enacted at the balance sheet date.

A deferred tax asset is only recognised when it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities are not discounted.

Interest payable, interest receivable and similar charges

Interest payable, interest receivable and similar charges are charged to the profit and loss account on an accruals basis.

2 OTHER OPERATING INCOME

The Company has recognised an exceptional operating income of £16,751,473 in the year as part of the £19,500,000 settlement claim received from Kajima Construction Europe (UK) Limited for the release of all future development obligations under a design and build contract. The balance of £2,748,527 has been recognised within cost of sales being attributable to the Phase 1 of the development and receivable in the ordinary course of the Company's activities.

3 OPERATING PROFIT

The operating profit is arrived at after charging

	2006 £	2005 £
Auditors' remuneration	7,000	9,850

None of the Directors received any emoluments in respect of their services to the Company during the year (2005 £Nil). The Company had no employees during the year (2005 Nil).

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2006

4 INTEREST PAYABLE & SIMILAR CHARGES

	2006 £	2005 £
Interest payable on bank borrowings	(802,636)	(1,520,175)
Amortisation of loan costs (note 9)	(284,000)	(108,000)
	<u>(1,086,636)</u>	<u>(1,628,175)</u>
Interest receivable	186,592	93,517
	<u>(900,044)</u>	<u>(1,534,658)</u>
		9

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 £
CORPORATION TAX		
Current year	6,591,877	-
Total current tax charge	<u>6,591,877</u>	<u>-</u>
DEFERRED TAX		
Deferred tax charge (note 8)	112,854	356,245
Tax charge for the year	<u>6,704,731</u>	<u>356,245</u>
Factors affecting the tax charge for the current year		
	2006 £	2005 £
Profit on ordinary activities	22,349,081	1,187,485
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30 per cent	(6,704,724)	(356,245)
Deferred tax utilisation of losses	112,854	356,245
Expenses not deductible for tax purposes	(7)	-
Current tax charge for the year	<u>(6,591,877)</u>	<u>-</u>

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2006

6 INVESTMENT

On 29 September 2006 the Company disposed of its interest in Accordia Street Garden Limited, a wholly-owned subsidiary undertaking

Investments

Opening balance at 1 October 2005	21
Disposals	(21)
	<hr/>
Closing balance as at 30 September 2006	-
	<hr/>

7 STOCKS

	2006 £	2005 £
Work in progress	1,639,617	47,802,279

8 DEBTORS

	2006 £	2005 £
Trade debtor	1,018,237	132,387
Other taxation	-	33,897
Deferred tax	-	112,854
Other debtor	1,650,214	-
	<hr/>	<hr/>
	2,668,451	279,138
	<hr/>	<hr/>
	2006 £	2005 £
Deferred tax asset at 1 October	112,854	469,099
Charge to profit and loss in current year (Note 5)	(112,854)	(356,245)
	<hr/>	<hr/>
Deferred tax asset at 30 September	-	112,854
	<hr/>	<hr/>

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006

9 CREDITORS

	2006 £	2005 £
Amounts falling due within one year		
Trade creditors	606,541	949,856
Land creditors	-	510,157
Countryside Properties (UK) Limited	-	2,000,000
Corporation Tax	3,941,897	-
Other taxation	5,503,522	-
Accruals and deferred income	2,274,204	351,472
	<hr/>	<hr/>
	12,326,164	3,811,485
	<hr/>	<hr/>
Amounts falling due after one year		
Land Creditors	-	8,908,944
Bank Borrowings	-	23,341,000
Amounts owed to subsidiary undertaking	-	21
Management Charge		
Countryside Properties (UK) Limited	-	447,000
Apollo Accordia	-	447,000
Shareholder Loans		
Countryside Properties (UK) Limited	-	6,000,000
Accordia LLC	-	3,240,000
Apollo Accordia (EU) LLC	-	2,760,000
	<hr/>	<hr/>
	-	45,143,965
	<hr/>	<hr/>

Bank borrowings were repaid in full on 22 September 2006 and all charges released. Interest on loan balances in the year was payable at 1.75% over LIBOR. Loan costs of £500,000 (2005: £375,000) have been charged to the profit and loss account over the term of the borrowings. The charge for the year was £284,000 (2005: £108,000).

10 CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised, allotted, issued and fully paid		
5000 "A" Ordinary shares of 2p	100	100
5000 "B" Ordinary shares of 2p	100	100
	<hr/>	<hr/>
	200	200
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The "A" and "B" shares have identical voting and other rights.

COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006

11 RESERVES

Profit and loss account	2006 £	2005 £
At 1 October	(263,325)	(1,094,565)
Profit for the year retained	5,644,350	831,240
	<hr/>	<hr/>
At 30 September	5,381,025	(263,325)
	<hr/>	<hr/>

12 CAPITAL COMMITMENTS

The Company had no capital commitments at 30 September 2006 (2005 £Nil)

13 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	23,249,125	2,722,143
Decrease in stock	46,162,662	2,234,713
Increase in debtors	(2,502,167)	(158,100)
Decrease in creditors	(5,230,183)	(5,416,488)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	61,679,437	(617,732)
	<hr/>	<hr/>

14 ANALYSIS OF CHANGES IN NET DEBT

	30/09/05 £	Cash Flow £	Non Cash Items £	30/09/06 £
Cash at bank and in hand	610,887	12,788,434	-	13,399,321
Bank borrowings	(23,341,000)	23,500,000	(159,000)	-
Shareholder loans	(12,000,000)	12,000,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(34,730,113)	48,288,434	(159,000)	13,399,321
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COUNTRYSIDE PROPERTIES (ACCORDIA) LIMITED

NOTES TO THE ACCOUNTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2006

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)

	2006 £	2005 £
Profit on ordinary activities after taxation	15,644,350	831,240
Dividends paid	(10,000,000)	-
	<u>5,644,350</u>	<u>831,240</u>
Shareholders' deficit brought forward	(263,125)	(1,094,365)
Shareholders' funds/(deficit) carried forward	<u>5,381,225</u>	<u>(263,125)</u>

16 RELATED PARTY TRANSACTIONS

The Company is a joint venture owned by Countryside Properties (UK) Limited (50%), Apollo Accordia LLC (27%) and Apollo Accordia (EU) LLC (23%). In accordance with the terms of the joint venture agreement, the Company has had the following transactions with related parties in the year,

	2006 £	2005 £
Countryside Properties (UK) Limited – Management charge	<u>225,000</u>	<u>224,000</u>
Apollo Accordia LLC – Management charge	<u>225,000</u>	<u>224,000</u>

In addition to the shareholders' loans disclosed in note 9 the following sums were owed to related parties at the balance sheet date

	2006 £	2005 £
Countryside Properties (UK) Limited and Subsidiaries		
Land introductory fee	-	2,000,000
Management charge	<u>-</u>	<u>447,000</u>
Apollo Accordia LLC	<u>-</u>	<u>2,447,000</u>
Management charge	<u>-</u>	<u>447,000</u>