Cotswoldgate Limited

Directors' report and consolidated financial statements

Registered number 04588713

30 April 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2007

Principal activities

The company's principal activity is construction and sale of residential housing

Business review

The results for the year continue to match the company's operating plan for growth

The considerable efforts to grow the land bank has resulted in the company now owning or controlling land that will generate over £100m turnover over the next three years The strength of this land bank will allow the group to grow turnover and profitability substantially in the forthcoming year and beyond The company's profile amongst the professional community has developed substantially and it is regarded as a serious operator in the regional housing market The coming year will also see the public profile of the group increasing as it develops a number of large sites in Gloucestershire, Wiltshire and Oxfordshire

During the year the group has recruited new senior team members as part of the growth strategy who will provide in-depth specialist expertise across all functions of the business from a management team with many years of high level experience in volume development

The directors are confident that the group will continue this growth into the medium term and are keen to maintain and enhance their excellent reputation within the market place for care, quality and value and as a first class employer

Financial risk management

The directors consider that the main financial risk to the business is interest rate risk The company regularly monitors and reacts accordingly to any exposure and fluctuations in interest rates and the impact on its loans and interest payments

Proposed dividend

The directors do not recommend the payment of a dividend *(2006 £Nil)*

Directors and directors' interests

The directors who held office during the year were as follows
JS Taylor
MJ Taylor
SJ Rodden
RG Perrill

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests

	Ordinary shares of £1 each - interest at start and end of year
JS Taylor	**225**
MJ Taylor	**225**
SJ Rodden	**100**
RG Perrill	**390**

Directors' report *(continued)*

Employees

The Company recognises the benefits of keeping employees informed as to current business performance The Company conforms with current employment laws on the employment of disabled persons

Political and charitable contributions

The company made no political or charitable contributions during the year

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

SJ Rodden
Company Secretary

Priory House
Priory Street
Usk
NP15 1BJ

21 November 2007

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 the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and parent 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 group and the parent 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 parent 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 group and to prevent and detect fraud and other irregularities

KPMG LLP
Marlborough House
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of Cotswoldgate Limited

We have audited the financial statements of Cotswoldgate Limited for the year ended 30 April 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement 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 auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

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

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 judgments 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

Independent auditors' report to the members of Cotswoldgate Limited *(continued)*

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 group's and the parent company's affairs as at 30 April 2007 and of the group's 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

Chartered Accountants
Registered Auditor

22 November 2007

Consolidated profit and loss account

for the year ended 30 April 2007

	Note	2007 £000	2006 £000
Turnover	*1-2*	**13,303**	10,940
Cost of sales	*3*	**(12,698)**	(11,808)
Gross profit/(loss)		**605**	(868)
Administrative expenses		**(1,228)**	(1,229)
Operating loss	*4-6*	**(623)**	(2,097)
Other interest receivable and similar income	*7*	**10**	7
Interest payable and similar charges	*8*	**(76)**	(63)
Loss on ordinary activities before taxation		**(689)**	(2,153)
Tax credit on loss on ordinary activities	*9*	**237**	633
Loss on ordinary activities after taxation being loss for the financial year	*16*	**(452)**	(1,520)

The results shown above relate wholly to continuing operations

No other gains and losses have been recognised in these financial statements other than the results for the financial periods shown above Accordingly, a separate statement of total recognised gains and losses has not been presented

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis

Consolidated balance sheet

at 30 April 2007

	Note	2007		2006	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**10**		15
Current assets					
Stocks – work in progress	*12*	**19,717**		8,278	
Debtors	*13*	**1,526**		1 141	
Cash at bank and in hand		**70**		-	
		21,313		9,419	
Creditors amounts falling due within one year	*14*	**(24,059)**		(11,718)	
Net current liabilities			**(2,746)**		(2,299)
Total assets less current liabilities, being net liabilities			**(2,736)**		(2,284)
Capital and reserves					
Called up share capital	*15*		**1**		1
Profit and loss account – accumulated losses	*16*		**(2,737)**		(2,285)
Deficit on shareholders' funds			**(2,736)**		(2,284)

These financial statements were approved by the board of directors on 21 November 2007 and were signed on its behalf by

RG Perrill
Director

Company balance sheet
at 30 April 2007

	Note	2007		2006	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**10**		15
Investments in subsidiary undertakings	*11*		**-**		-
Current assets					
Stocks – work in progress	*12*	**261**		65	
Debtors	*13*	**609**		1,577	
		870		1,642	
Creditors amounts falling due within one year	*14*	**(931)**		(1,698)	
Net current liabilities			**(61)**		(56)
Total assets less current liabilities, being net liabilities			**(51)**		(41)
Capital and reserves					
Called up share capital	*15*		**1**		1
Profit and loss account – accumulated losses	*16*		**(52)**		(42)
Deficit on shareholders' funds			**(51)**		(41)

These financial statements were approved by the board of directors on 21 November 2007 and were signed on its behalf by

RG Perrill
Director

Consolidated cash flow statement

for the year ended 30 April 2007

	Note	2007 £000	2006 £000
Net cash outflow from operating activities	*17*	**(7,939)**	(120)
Returns on investments and servicing of finance	*18*	**(2,279)**	(1,574)
Capital expenditure and financial investment	*18*	**(4)**	(2)
Net cash outflow before financing		**(10,222)**	(1,696)
Financing	*18*	**10,373**	1,596
Increase/(decrease) in cash in the year		**151**	(100)

Reconciliation of net cash flow to movement in net debt

for the year ended 30 April 2007

	Note	2007 £000	2006 £000
Increase/(decrease) in cash in the year		**151**	(100)
Increase in operating loans	*18*	**(10,373)**	(1,596)
Change in net debt resulting from cash flows		**(10,222)**	(1,696)
Net debt at the start of the year		**(10,364)**	(8,668)
Net debt at the end of the year	*19*	**(20,586)**	(10,364)

Reconciliation of movement in shareholders' funds
for the year ended 30 April 2007

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Loss for the financial year	**(452)**	**(10)**	(1,520)	(1)
Net reduction in shareholders' funds	**(452)**	**(10)**	(1,520)	(1)
Opening deficit on shareholders' funds	**(2,284)**	**(41)**	(764)	(40)
Closing deficit on shareholders' funds	**(2,736)**	**(51)**	(2,284)	(41)

Notes
(forming part of the financial statements)

1 Accounting policies

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 in accordance with applicable accounting standards and under the historical cost accounting rules

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities where more than 90% of the voting rights are held within the group

At 30 April 2007 the Group had a deficit on shareholders' funds of £2,736,000 having incurred a loss for the year of £452,000 However, the financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons The Group has structured term loans in place which are specifically matched to all existing developments, both in terms of the forecast funding requirement and the anticipated duration of each project It also expects to continue to successfully source land opportunities which will displace the existing projects which have phased end dates over the next 18 months or so The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 April 2007 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account

Turnover

Turnover comprises the sales value of residential properties sold in the year, net of incentives offered on sale Turnover is recognised when legal completion of each property sale takes place

Work in progress

Work in progress is stated at the lower of cost and net realisable value, and comprises land, site development and construction costs and finance costs specifically attributable to the construction of each property

Interest

Finance costs that are directly attributable to the development of residential housing are capitalised within work in progress and expensed within cost of sales on sale of each property included in the residential development Other finance costs are expensed as incurred

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold improvements	-	3 years
Office equipment	-	3 years

Investments

The company's investment in subsidiary undertakings is stated at cost less any provision for impairment

Taxation

The credit for taxation is based on the result for the year 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, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred tax assets are recognised to the extent that they are regarded as recoverable They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

2 Segmental information

Turnover is derived solely from the sale of residential property within the UK

3 Cost of sales

	2007	2006
	£000	£000
Land, site development and construction costs	**11,620**	10,080
Finance costs	**1,078**	1,728
	12,698	11,808

4 Operating loss

	2007	2006
	£000	£000
Operating loss is stated after charging		
Auditors' remuneration		
Group and company - audit	**12**	12
Other services relating to taxation	**5**	5
Depreciation of owned tangible fixed assets	**9**	12

Notes *(continued)*

5 Remuneration of directors

	2007	2006
	£000	£000
Aggregate emoluments	**205**	169

The emoluments, excluding pension contributions, but including benefits in kind, of the highest paid director were £124,500 *(2006 £119,500)* The company made no pension contributions in either year

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Management	**4**	5
Administration	**7**	5
Site management	**9**	8
	20	18

The aggregate payroll costs of these persons were as follows

	2007	2006
	£000	£000
Wages and salaries	**572**	546
Social security costs	**69**	54
	641	600

Employee costs in relation to site management staff are initially included within work in progress and subsequently expensed within cost of sales on the sale of each property included in the residential development

7 Other interest receivable and similar income

	2007	2006
	£000	£000
Bank interest	**10**	7

Notes *(continued)*

8 Interest payable and similar charges

	2007 £000	2006 £000
On other loans	76	63

9 Taxation

Analysis of tax credit in year

	2007 £000	2006 £000
UK corporation tax		
Adjustment in respect of previous year	(82)	-
Total current tax	(82)	-
Deferred tax		
Origination and reversal of timing differences	52	(633)
Adjustments in respect of previous year	(207)	-
Total deferred tax	(155)	(633)
Tax credit on loss on ordinary activities	(237)	(633)

Factors affecting the tax credit for the year

The current tax credit for the year is lower *(2006 lower)* than the standard rate of corporation tax in the UK of 30% *(2006 30%)* The differences are explained below

	2007 £000	2006 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(689)	(2,153)
Current tax at 30% *(2006 30%)*	(207)	(646)
Effects of		
Expenses not deductible for tax purposes		13
Trading losses on which deferred tax has been recognised	207	633
Adjustment in respect of previous year	(82)	-
Total current tax credit (see above)	(82)	-

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the tax credit for the year *(continued)*

The following deferred tax asset has been recognised in the consolidated financial statements

	2007 £000	2006 £000
Trading losses available for relief in future periods	**1,128**	973

The deferred tax asset has been recognised as future taxable profits are forecast, against which the losses can be offset This will have a consequent effect on the future tax charge

Factors that may affect future tax charges

It has been announced that the corporation tax rate applicable to the group will change from 30% to 28% from 1 April 2008 This has no impact on the current year

10 Tangible fixed assets

Group and company	**Leasehold improvements £000**	**Office equipment £000**	**Total £000**
Cost			
At beginning of year	4	39	43
Additions	-	4	4
At end of year	4	43	47
Depreciation			
At beginning of year	3	25	28
Charge for year	1	8	9
At end of year	4	33	37
Net book value			
At 30 April 2007	**-**	**10**	**10**
At 30 April 2006	1	14	15

Notes *(continued)*

11 Investments in subsidiary undertakings

Company	**£**
Cost and net book value	
At beginning and end of year	5

The companies which were subsidiary undertakings at the year end (all of which have been consolidated) are as follows

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class and percentage of shares held (Direct)**
Cotswoldgate Developments Limited	England and Wales	Property development	100% ordinary
Cotswoldgate Warmley Limited	England and Wales	Property development	100% ordinary
Cotswoldgate Parkend Limited	England and Wales	Property development	100% ordinary
Cotswoldgate Ventures Limited	England and Wales	Property development	100% ordinary
Cotswoldgate Northleach Limited	England and Wales	Property development	100% ordinary
Cotswoldgate London Road Limited	England and Wales	Property development	100% ordinary
Cotswoldgate Chalford Limited	England and Wales	Property development	100% ordinary
Cotswoldgate Neston Limited	England and Wales	Property development	100% ordinary
Cotswoldgate Malmesbury Limited	England and Wales	Property development	100% ordinary

12 Stocks - work in progress

	Group 2007 £000	**Company 2007 £000**	Group 2006 £000	Company 2006 £000
Land, site development and construction costs	**18,122**	**261**	7,818	65
Finance costs	**1,595**	**-**	460	-
	19,717	**261**	8,278	65

Directly attributable finance costs in the year totalled £2,213,000 *(2006 £1,518,000)* £1,078,000 *(2006 £1,728,000)* has been expensed to the profit and loss account in proportion to the value of residential units sold (note 3)

Notes *(continued)*

13 Debtors

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Other debtors	**185**	**-**	60	-
Prepayments and accrued income	**15**	**8**	48	11
Other taxes	**116**	**61**	60	-
Deferred tax asset (see note 9)	**1,128**	**3**	973	2
Amounts owed by group undertakings	**-**	**537**	-	1,564
Corporation tax	**82**	**-**	-	-
	1,526	**609**	1,141	1,577

14 Creditors: amounts falling due within one year

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Bank overdraft	**-**	**223**	81	49
Operating loans	**20,656**	**-**	10,283	757
Trade creditors	**2,499**	**666**	1,231	151
Amounts owed to group undertakings	**-**	**-**	-	696
Taxation and social security	**-**	**-**	-	8
Other creditors	**904**	**42**	123	37
	24,059	**931**	11,718	1,698

The operating loans are secured against the group's work in progress, and are repayable in stages as each development is completed and sold, at which point the security is discharged

15 Called up share capital

	2007 £000	2006 £000
Authorised, allotted, called up and fully paid		
Equity 1,000 ordinary shares of £ 1 each	**1**	1

Notes *(continued)*

16 Profit and loss account

	Group 2007 £000	**Company 2007 £000**	Group 2006 £000	Company 2006 £000
Loss for the year	**(452)**	**(10)**	(1,520)	(1)
Retained losses brought forward	**(2,285)**	**(42)**	(765)	(41)
Retained losses carried forward	**(2,737)**	**(52)**	(2,285)	(42)

As permitted by section 230 (4) of the Companies Act 1985, the parent company's profit and loss account has not been presented separately in these financial statements The loss for the financial year relating to the parent company is £10,000 *(2006 £1,000)*

17 Reconciliation of operating loss to net cash outflow

	2007 £000	2006 £000
Operating loss	**(623)**	(2,097)
Depreciation charges	**9**	12
Finance costs included within cost of sales	**1,078**	1,728
(Increase)/decrease in work in progress	**(10,304)**	652
Increase in debtors	**(148)**	(157)
Increase/(decrease) in creditors	**2,049**	(258)
Net cash outflow from operating activities	**(7,939)**	(120)

18 Analysis of cash flows

	2007 £000	2006 £000
Returns on investments and servicing of finance		
Interest received	**10**	7
Interest paid	**(2,289)**	(1,581)
	(2,279)	(1,574)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(4)**	(2)
Financing		
Drawdown of operating loans	**10,373**	1,596

Notes *(continued)*

19 Analysis of net debt

	At beginning of year £000	Cash flow £000	**At end of year £000**
Cash at bank and in hand	-	70	**70**
Bank overdraft	(81)	81	**-**
Operating loans	(10,283)	(10,373)	**(20,656)**
Total	(10,364)	(10,222)	**(20,586)**

20 Related party disclosures

The company is controlled by its directors

Aurelian Property Finance Limited is a related party by virtue of this company being under common ownership The year end balance owing to Aurelian Property Finance Limited by the group in respect of operating loans was £20,656,000 *(2006 £10,283,000)* (note 14) During the year, the group paid Aurelian Property Finance Limited interest of £1,843,000 *(2006 £1,256,000)* and fees of £370,000 *(2006 £262,000)*