

CREST NICHOLSON (BATH) HOLDINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31st OCTOBER 2010

Registered No 5235961

TUESDAY



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CREST NICHOLSON (BATH) HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and Balance Sheet for the year ended 31st October 2010

Business Review

The Company has not traded in this period or in the preceding period

Results and Dividend

The loss for the financial year after taxation amounted to £1,972,000 (2009 profit £102,000) The directors do not recommend the payment of a dividend (2009 £nil)

Directors

The Directors during the period were

Mr D P Darby (Resigned 19th January 2011)
Mr N C Tinker
Mr S Stone
Ms D A Aplin
Mr P J Bergin

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office



By Order of the Board

K M Maguire
Secretary

Crest House
Pycroft Road
Chertsey
Surrey KT16 9GN

18 APRIL 2011

CREST NICHOLSON (BATH) HOLDINGS LIMITED

**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.

REPORT OF THE INDEPENDENT AUDITOR'S TO THE MEMBERS OF
CREST NICHOLSON (BATH) HOLDINGS LIMITED

We have audited the financial statements of Crest Nicholson (Bath) Holdings Limited for the year ended 31st October 2010 set out on pages 4 to 8. 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 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 explained more fully in the Directors' Responsibilities Statement set out on page 2, 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/UKNP.

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 31 October 2010 and of its loss 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.

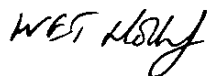
Opinion on other matter prescribed by the Companies Act 2006

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.

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.



W E J Holland (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
London

18 April 2011

CREST NICHOLSON (BATH) HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31st OCTOBER 2010**

	Note	2010 £'000	2009 £'000
Revenue		-	-
Cost of Sales		-	-
Gross Profit		-	-
Administrative expenses		(1,953)	-
Loss on ordinary activities before taxation	2	(1,953)	-
Taxation	3	(19)	102
(Loss)/profit for the financial year	7	(1,972)	102

There are no recognised gains or losses other than those shown above

There is no material difference between the loss for the year as shown above and that based on historic costs

The notes on pages 6 to 8 form part of these financial statements

CREST NICHOLSON (BATH) HOLDINGS LIMITED**BALANCE SHEET AS AT 31st OCTOBER 2010**

	Notes	<u>2010</u> £'000	<u>2009</u> £'000
<u>Fixed assets</u>			
Investments	4	-	1,910
<u>Current assets</u>			
Debtors - amounts owed by Group undertakings	5	2,351	2,370
<u>Current liabilities</u>			
Creditors - amounts owed to Group undertakings	6	(4,177)	(4,134)
Net current liabilities		(1,826)	(1,764)
Net (liabilities)/assets		<u>(1,826)</u>	<u>146</u>
<u>Capital and reserves</u>			
Share capital (£100)	8	2,134	2,134
Profit & loss account	7	(3,960)	(1,988)
Equity shareholders' funds	7	<u>(1,826)</u>	<u>146</u>

The notes on pages 6 to 8 form part of these financial statements

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

18 APRIL 2011 by



P J Bergin
Director

CREST NICHOLSON (BATH) HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1 Accounting Policies

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Under FRS1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Under Financial Reporting Standard 8 the Company is exempt from the requirement to disclose related party transactions with Crest Nicholson Holdings Limited and its subsidiary undertakings on the grounds that it is a wholly owned subsidiary undertaking of Crest Nicholson Holdings Limited.

The principal accounting policies adopted are set out below.

Going concern

Following the financial restructuring of the Crest Nicholson Holdings Limited group in March 2009, the business has been dependent for its working capital requirements on funds provided to it through senior bank facilities totalling £500 million, which are scheduled for repayment in March 2012. The Directors have prepared cash flow projections for the period to maturity of the senior facilities in March 2012, which show that the group is capable of operating within the bank facilities currently available and meeting the financial covenant tests. The nature of the group's business is such that there can be unpredictable variations in the timing of cash inflows and performance. The Directors recognise that in the current economic environment, risks exist regarding the amount and timing of cash flows from future sales and future building costs and have considered the effect of reasonably possible variations on their ability to trade.

During the year, the Directors commenced discussions with its lenders about a further financial restructuring of the group, to increase the equity on the group balance sheet and extend bank facilities for a further three to four years. After the balance sheet date, Varde Partners, together with certain market associates and partners, progressively acquired the debt of other group lenders in order to facilitate a financial restructuring of the group.

At 23rd March 2011, Varde Partners, together with certain market associates and partners, had control over more than 80% of the senior debt of the group, which enables them to pursue the financial restructuring of the group, either by consent or through a scheme of arrangement. The precise terms of this restructuring have still to be agreed, but draft and indicative terms include the conversion of £350m to equity, restoring the group balance sheet to a net asset position, borrowing facilities being made available to the group on normal commercial terms and the extension of bank facilities through to 2015. Varde Partners have written to the Directors requesting that the company works with them to achieve this significant de-leveraging of the group balance sheet.

At the accounts signature date, the financial restructuring of the group has not been concluded, but the Directors are satisfied, having regard to current circumstances, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors consider it appropriate to prepare the financial statements of the group on a going concern basis. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

In addition, the financial statements have been prepared on the going concern basis notwithstanding the company having net liabilities at 31 October 2010 of £1,826,000 after losses in 2010 of £1,972,000. Based on the company's future trading projections, the directors believe that the company has sufficient cash resources to meet its liabilities as they fall due and in conjunction with confirmed support from Crest Nicholson Holdings Limited, have no reason to believe that there is a material uncertainty over the company's ability to continue as a going concern.

(b) Investments

Investments are included in the balance sheet at cost less any provision for impairment

2 Loss on ordinary activities before tax

The Company had no employees during the year (2009 nil)

No emoluments were paid to Directors during the year (2009 £nil)

Auditors remuneration of £3,000 (2009 £3,000) was borne by Crest Nicholson Plc

3 Taxation

	2010	2009
	£'000	£'000
UK Corporation tax on loss for the year at 28 0% (2009 28 0%)	-	(47)
Adjustments in respect of prior years	19	(55)
Tax on loss on ordinary activities	<u>19</u>	<u>(102)</u>

The current tax charge for the year is higher than (2009 lower than) the standard rate of UK corporation tax of 28 0% (2009 28 0%) The difference is explained below

Loss on ordinary activities before tax	(1,953)	-
Tax on loss on ordinary activities at 28 0% (2009 28 0%)	<u>(547)</u>	<u>-</u>
Effects of		
Adjustments in respect of prior years	19	(55)
Transfer pricing adjustments	-	(47)
Not deductible for tax purposes	547	-
Total current tax charge/(credit)	<u>19</u>	<u>(102)</u>

4 Investments

		Shares in Subsidiary undertakings £000
Cost	At beginning and end of year	<u>4,000</u>
Provisions	At beginning of year	(2,090)
	Provided in year	<u>(1,910)</u>
	At end of year	<u>(4,000)</u>
Net book value	At 31 st October 2010	<u>-</u>
	At 31 st October 2009	<u>1,910</u>

The company owns 100% of the issued share capital of the following companies

Crest Nicholson Residential (London) Limited	Dormant
Crest Nicholson (Bath Western) Limited	Dormant

Both companies are incorporated in Great Britain and registered in England and Wales but have not traded In the opinion of the Directors the net realisable value of this investment is not less than the amount stated in these accounts

5	<u>Debtors</u>	2010	2009
	<u>Amounts falling due within one year</u>	£'000	£'000
	Amounts owed by group undertakings	2,351	2,370
		<u>2,351</u>	<u>2,370</u>

6	<u>Creditors</u>	2010	2009
	<u>Amounts falling due within one year</u>	£'000	£'000
	Amounts owed to group undertakings	4,177	4,134
		<u>4,177</u>	<u>4,134</u>

7	<u>Reconciliation of movements in shareholders' funds</u>	2010	2009
		£'000	£'000
	(Loss)/Profit for the financial year	(1,972)	102
	Opening shareholders' funds	146	44
	Closing shareholders' funds	<u>(1,826)</u>	<u>146</u>

8	<u>Share capital</u>	2010	2009
		£	£
	2,134,100 allotted, called up & fully paid Ordinary shares of £1 each	<u>2,134,100</u>	<u>2,134,100</u>

During the year the company issued nil (2009 2,134,000) £1 ordinary shares for a consideration of £nil (2009 £2,134,000)

9 Parent Company

The immediate parent company is Crest Nicholson Plc, which is incorporated in Great Britain and registered in England and Wales

The ultimate parent company is Crest Nicholson Holdings Limited, the largest higher group of undertakings for which group accounts are drawn up, which is incorporated in Great Britain and registered in England and Wales. Crest Nicholson Holdings Limited is the only group entity in which the results of the group are consolidated. Copies of Crest Nicholson Holdings Limited Group accounts can be obtained from the Company's registered office which is shown in the Directors' Report

10 Post Balance Sheet Event

After the balance sheet date, Varde Partners, together with certain market associates and partners, progressively acquired the debt and equity of other group lenders in order to facilitate a financial restructuring of the Crest Nicholson group. At 23rd March 2011, Varde Partners, together with certain market associates and partners, had control over more than 80% of the senior debt and equity of the group.