

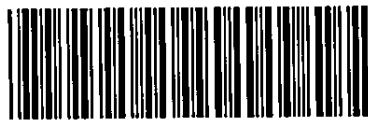
**Company Registration No. 05740852**

**G&C Finance Plc**

**Report and Financial Statements**

**30 June 2008**

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## **G&C Finance Plc**

### **Report and financial statements 2008**

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# **G&C Finance Plc**

## **Report and financial statements 2008**

### **Officers and professional advisers**

#### **Directors**

J G Downer  
A C Gallagher  
G H Gosling  
P A King

#### **Secretary**

S A Burnett

#### **Registered Office**

15 Hockley Court  
Stratford Road  
Solihull  
West Midlands  
B94 6NW

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
Birmingham  
United Kingdom

# **G&C Finance Plc**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 June 2008.

### **Principal Activities and review of business.**

G&C Finance plc is predominantly engaged in the provision of finance to property developers.

The directors consider the key measurement of effectiveness is profit before interest and tax. The profit and loss account is set out on page 8 and shows the result for the period. For the year ended 30 June 2008, the loss before tax is £17,037,508 which compares to a profit before tax of £70,491 last year. The principal reason for the loss is bad debts of £17,379,929 caused by the current economic conditions as set out below.

The directors do not recommend the payment of a dividend.

### **Principal risks and uncertainties**

The principal risks of the business relate to the performance of the developers in terms of their ability to build out and sell the development within the terms of the original loan in terms of both cost and timescales. This risk is managed by the detailed due diligence and sensitivity analysis carried out before accepting any new funding opportunities and the close ongoing monitoring of all developments throughout the life of the development from construction to sales. However, the current economic conditions as a result of the current recession and credit crunch has resulted in falls in property values and a lack of mortgage funding for purchasers which in turn has had a severe adverse impact on our business and the resultant loss for the period.

All sales are made in the UK in sterling and therefore the company has no foreign exchange exposure.

### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including price risk, liquidity risk and credit risk. No financial derivatives are used to manage any of these risks.

#### *Price risk*

The company is fundamentally affected by the level of UK house prices. These in turn are affected by factors such as employment levels, interest rates, supply of land with planning and consumer confidence. Whilst it is not possible for the Company to mitigate such risks on a national macroeconomic basis, the Company is working with the developers to maximise sales at realistic levels to ensure maximum returns.

#### *Liquidity risk*

Liquidity risk reflects the risk that the company will have insufficient resources to meet its financial obligations as they fall due. The company has assessed its cash flow requirements for the year ahead which in conjunction with the continued support of the related party funders would mean that the Company has sufficient liquid funds to meet all its potential liabilities as they fall due.

#### *Credit risk*

The company's principal financial assets are bank balances and trade receivables. The credit risk is primarily attributable to the trade receivables in the current climate as explained above. The amounts presented in the balance sheet are net of allowances for doubtful receivables. This position is continuously monitored by the directors.

All sales are made in the UK in sterling and therefore the company has no foreign exchange exposure

# **G&C Finance Plc**

## **Directors' report (continued)**

### **Going Concern**

In January 2009, the company received signed confirmation of continued support from the its related party funders. In particular one funder has committed to making funds available to the company in the future to enable it to meet its obligations as and when they fall due. The company is reliant on this support to continue as a going concern. Because the supporting company operates to a different financial reporting timetable recent audited financial statements for that company are not available. The directors have made due enquiries of the directors of the supporting company and believe that it is able to provide the necessary support. The company providing the support holds various fixed asset investments and therefore is subject to the uncertainty to the valuation of such investments in current markets. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

### **Future Outlook**

The company has decided to cease new lending until the market conditions have improved significantly. This position is continuously being assessed. The directors believe that this measure, in conjunction with the continued support of the funders, would ensure the future going concern of the business.

### **Environment**

The company recognises the importance of its environmental responsibilities. Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption. The company is also pleased to have been involved in the funding of a number of former contaminated land sites for use in residential developments.

### **Employees**

There are no employees or directors employed by the company.

### **Directors**

The directors of the company during the period are set out below.

A C Gallagher

J G Downer

G H Gosling

P A King

None of the directors held any shares in the company. A C Gallagher's and J G Downer's shareholding in the accounts of the parent company are disclosed in the accounts of that company. No other director held any shares in the parent company.

## **G&C Finance Plc**

### **Directors' report (continued)**

#### **Auditors**

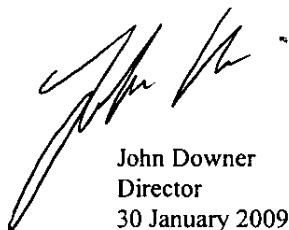
In the case of each of the persons who are directors of the company at the date when this report is approved:

- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This provision is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



John Downer  
Director  
30 January 2009

## **G&C Finance Plc**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of G&C Finance Plc**

We have audited the financial statements of G&C Finance Plc for the year ended 30 June 2008 which comprise profit and loss account, the balance sheet and the related notes 1 to 14. 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 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, except the scope of our work was limited as explained below. 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 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. However, because the company is reliant on support in the future from a related party company, and because that supporting company operates to a different financial reporting timetable, recent audited financial statements for that company are not available. Consequently the evidence available to us was limited because we have not had sufficient access to audited financial information of the company giving support and on that basis we are unable to conclude as to the appropriateness of the directors' assumptions with regard to adopting the going concern basis for preparing these financial statements.

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 G&C Finance Plc (continued)**

### **Qualified opinion arising from limitation in audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the appropriateness of the going concern basis of preparation of the financial statements, 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 June 2008 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In our opinion the information given in the directors' report is consistent with the financial statements.

*Deloitte LLP*

### **Deloitte LLP**

Chartered Accountants and Registered Auditors  
Birmingham, United Kingdom  
30 January 2009

## G&C Finance Plc

### Profit and loss account Year ended 30 June 2008

	Note	Year ended 30 June 2008 £	Period ended 30 June 2007 £
Turnover	2	2,205,836	1,487,861
Cost of sales		-	-
Gross profit		2,205,836	1,487,861
Administrative expenses (including exceptional bad debt expense of £17,379,929 (2007 £nil))	14	(17,782,934)	(173,692)
<b>Operating (Loss)/Profit</b>	3	(15,577,098)	1,314,169
Interest receivable		31,611	13,599
Interest payable and similar charges	5	(1,492,021)	(1,257,277)
<b>(Loss)/Profit on ordinary activities before taxation</b>		(17,037,508)	70,491
Tax on (Loss)/profit on ordinary activities	6	21,147	(21,147)
<b>(Loss)/Profit on ordinary activities after taxation for the financial period</b>		(17,016,361)	49,344

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account, therefore no statement of recognised gains and losses has been prepared.

There are no movements in shareholders' funds apart from the (loss)/profit for the period.

## G&C Finance Plc

### Balance sheet 30 June 2008

	Note	2008 £	2007 £
<b>Current assets</b>			
Debtors	7		
- due within one year		5,302,632	18,513,609
- due after more than one year		-	6,320,323
Cash at bank and in hand		643,095	541,814
		<u>5,945,727</u>	<u>25,375,746</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(22,862,744)</u>	<u>(25,276,402)</u>
<b>Net (liabilities) / assets</b>		<u>(16,917,017)</u>	<u>99,344</u>
<b>Capital and reserves</b>			
Called up share capital	9	50,000	50,000
Profit and loss account		<u>(16,967,017)</u>	<u>49,344</u>
<b>Total shareholders' (deficit) / funds</b>		<u>(16,917,017)</u>	<u>99,344</u>

These financial statements were approved by the Board of Directors on 30 January 2009.

Signed on behalf of the Board of Directors



J G Downer

Director

# **G&C Finance Plc**

## **Notes to the financial statements 30 June 2008**

### **1. Accounting convention**

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, are set out below.

#### **Going Concern**

In January 2009, the company received signed confirmation of continued support from the its related party funders. In particular one funder has committed to making funds available to the company in the future to enable it to meet its obligations as and when they fall due. The company is reliant on this support to continue as a going concern. Because the supporting company operates to a different financial reporting timetable recent audited financial statements for that company are not available. The directors have made due enquiries of the directors of the supporting company and believe that it is able to provide the necessary support. The company providing the support holds various fixed asset investments and therefore is subject to the uncertainty to the valuation of such investments in current markets. The directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

#### **Cash flow statement**

Exemption has been taken from preparing a cash flow statement included in FRS 1 for subsidiary undertakings where consolidated financial statements in which the subsidiary undertakings are publicly available.

#### **Turnover**

Turnover comprises the value of sales excluding value added tax. Interest receivable is accrued over the life of the loan.

#### **Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Full provision is made on a non-discounted basis for deferred tax assets and liabilities arising due to timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation at the current rate of tax. Deferred tax assets are only recognised when it is considered more likely than not that they will be realized.

#### **Leases**

Assets held under finance leases and similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

### **2. Turnover**

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

## G&C Finance Plc

### Notes to the financial statements (continued) 30 June 2008

#### 3. Operating (loss)/profit

	2008 £	2007 £
<b>Operating (loss)/profit is stated after charging</b>		
Auditor's remuneration – fees payable to the company's auditors for the audit of the company's annual accounts	10,000	10,000

#### 4. Employees

There are no employees other than the directors in the period. There are no directors emoluments paid in either period.

#### 5. Interest payable and similar charges

	2008 £	2007 £
Interest on related party loan	1,492,021	1,257,277

#### 6. Tax on (loss)/profit on ordinary activities

	2008 £	2007 £
Current tax		
UK corporation tax	(21,122)	21,147
Adjustment in respect of prior years		
UK corporation tax	(25)	-
Total current tax	(21,147)	21,147
Taxation on loss/(profit) on ordinary activities	(21,147)	21,147

## G&C Finance Plc

### Notes to the financial statements (continued) 30 June 2008

#### 6. Tax on (loss)/profit on ordinary activities

The tax assessed for the period is different to the standard rate of corporation tax in the U.K.  
The differences are explained below:

	2008 £	2007 £
(Loss)/Profit on ordinary activities before tax	(17,037,508)	70,491
	<u>2008</u> <u>£</u>	<u>2007</u> <u>£</u>
(Loss)/Profit on ordinary activities at the standard rate of corporation tax in the UK of 29.5% (2007 – 30%)	(5,026,065)	21,147
Effect of:		
Tax losses not utilised	5,004,943	-
Prior period adjustment	(25)	-
Current tax (credit) / charge for period	(21,147)	21,147

A deferred tax asset arising from losses of £5,004,943 has not been provided due to the uncertainty of future profits.

The impact of the change introduced in the Finance Act 2007 regarding the reduction in corporation tax rate from April 2008 from 30% to 28% has been incorporated into the Company's tax charge and deferred tax provided. The tax rate of 29.5%, used above, is therefore a blended rate.

#### 7. Debtors

	2008 £	2007 £
Due within one year:		
Trade debtors	5,084,845	18,495,502
Amount due from parent company	214,898	-
Other debtors	2,889	18,107
	<u>5,302,632</u>	<u>18,513,609</u>
	<u>2008</u> <u>£</u>	<u>2007</u> <u>£</u>
Due after more than one year:		
Trade debtors	-	6,320,323

Included within trade debtors is £nil (2007 £6,320,323) due between 1 and 2 years.

## G&C Finance Plc

### Notes to the financial statements (continued) 30 June 2008

#### 8. Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade creditors	8,656	199,050
Accruals and deferred income	3,454,502	1,582,982
Loans from related undertakings	19,399,586	23,193,994
Amounts due to parent company	-	279,229
Corporation tax	-	21,147
	<u>22,862,744</u>	<u>25,276,402</u>

#### 9. Called up share capital

	2008	2007
	£	£
<b>Authorised, allotted and fully paid</b>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

#### 10. Profit and loss account

	2008	2007
	£	£
Balance at 1 July 2007	49,344	-
(Loss)/Profit for the period	(17,016,361)	49,344
Balance at 30 June 2008	<u>(16,967,017)</u>	<u>49,344</u>

#### 11. Reconciliation of movement in shareholders' deficit

	2008	2007
	£	£
(Loss)/Profit for the period	(17,016,361)	49,344
Shares issued	-	50,000
Net movement in shareholders' funds	(17,061,361)	99,344
Opening shareholders' funds	99,344	-
Closing shareholders' (deficit) / funds	<u>(16,917,017)</u>	<u>99,344</u>

## **G&C Finance Plc**

### **Notes to the financial statements (continued)** **30 June 2008**

#### **12. Ultimate controlling party**

The immediate and ultimate parent company is G&C Property Development Consultancy Limited a company incorporated within the United Kingdom in which the results of this company are consolidated. Copies of their financial statements are available from 15 Hockley Court, Stratford Road, Solihull, West Midlands, B94 6NW. This is the smallest and largest group within which this company's results are consolidated. The parent company is under joint control of Mr A C Gallagher and Mr J G Downer.

#### **13. Related party transactions**

The company has borrowed the following amounts from the parties as described below;

	2008	2007
	£	£
Countywide Developments Limited	9,699,793	11,596,997
Countrywide Group of companies	9,699,793	11,596,997

Mr. AC Gallagher is a director of Countywide Developments Limited and Mr. JG Downer is a director of the Countrywide Group of companies.

#### **14. Exceptional items**

Administration expenses include an exceptional bad debt provision of £17,379,929 made against amounts due from developers.