Grant Thornton

Financial Statements Barry Howard Homes (Developments) Limited

For the period ended 30 June 2008

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COMPANIES HOUSE

Company No. 5859742

Officers and professional advisers

Company registration number	5859742
Registered office	Summer Farm West Haddon Road Crick Northampton NN6 7SQ
Directors	B J Howard A I Whitmill
Secretary	A I Whitmill
Bankers	Royal Bank of Scotland 77 Abington Street Northampton NN1 2BH
Auditor	Grant Thornton UK LLP Grant Thornton House Kettering Parkway Kettering Venture Park Kettering Northants NN15 6XR

Contents

Report of the directors

The directors present their report and the financial statements of the company for the period ended 30 June 2008.

Principal activities and business review

The principal activity of the company during the period was the construction of housing.

Results and dividends

The profit for the period amounted to £1,085,952 (31 December 2006 - loss of £36,680). The directors recommend a dividend of £1,000,000 (31 December 2006 - £nil)

The directors acknowledge the difficult and unprecedented trading conditions within the house building industry, conditions which have been exacerbated by the lack of credit availability. The directors have reviewed and amended the asset values and business plan to reflect the current market place. The directors are confident that the company can come through the challenges ahead with the continued support of its financial partners and parent company.

Post balance sheet event

The immediate parent company, Barry Howard Homes Limited, entered into a Creditors Voluntary Arrangement on 3 July 2008. This was to allow the directors to effect an orderly sale of part complete sites and maximise the value of land with future development potential.

Financial risk management objectives and policies

The company uses various financial instruments these include bank loans, overdrafts and cash. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by overdraft facilities.

Interest rate risk
The company finances its operations through a mixture of retained profits and bank borrowings. The company exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Directors

The directors who served the company during the period were as follows:

B J Howard
W A M Main
A I Whitmill
C N Seamarks

C N Seamarks resigned from the Board on 1 August 2007.
A I Whitmill was appointed to the Board on 1 August 2007.
Mr W A M Main resigned from the Board on 21 January 2009.

Directors' responsibilities

The directors are responsible for preparing the Report of the Directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 judgements and estimates that are reasonable and prudent;
- 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

B J Howard
Director
30 April 2009

Grant Thornton

Report of the independent auditor to the members of Barry Howard Homes (Developments) Limited

We have audited the financial statements of Barry Howard Homes (Developments) Limited for the period ended 30 June 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 16. 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and 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).

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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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.

Grant Thornton

Report of the independent auditor to the members of Barry Howard Homes (Developments) Limited

Emphasis of matter - Going concern

In forming our opinion, which is not qualified in this respect, we have considered the adequacy of the disclosure made in note 15 to the financial statements concerning the company's ability to continue as a going concern. At 3 July 2008, the immediate parent company, Barry Howard Homes Limited entered into and is still operating under a Creditors Voluntary Arrangement.

The evidence available to us to confirm the appropriateness of preparing the financial statements on the going concern basis was limited because the validity of the going concern basis depends on the ability of the directors to generate sufficient funding and the validity of the values attached to development land and part completed sites. As a result, and in the absence of any alternative evidence available to us, we have been unable to form a view as to the applicability of the going concern basis, the circumstances of which, together with the effect on the financial statements should this basis be inappropriate, are set out in note 15 to the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

As explained in note 15 since the period end the directors have secured a new overdraft and loan facility. The adequacy of this facility and the ability to meet the repayment schedule is dependent upon the company's ability to generate profits and cash. This uncertainty together with the losses, the uncertainty in the housing market and the balance sheet position noted above may cast doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

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 June 2008 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Kettering 30 April 2009

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice).

The company's accounting policies are unchanged compared with the prior year.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover represents amounts receivable from the sale of developments exclusive of VAT. Sale of developments is recognised on exchange of contracts only when completion occurs within the following month and, in the case of building projects, where development has been substantially completed.

Stocks

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	**Period to 30 June 2008 £**	Period to 31 December 2006 £
Turnover	1	**4,663,597**	–
Cost of sales		**3,561,925**	52,400
Operating profit/(loss) and profit/(loss) on ordinary activities before taxation	2	**1,101,672**	(52,400)
Tax on profit/(loss) on ordinary activities	4	**(15,720)**	15,720
Profit/(loss) for the financial period	13	**1,085,952**	(36,680)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

Balance sheet

	Note	30 June 2008 £	31 December 2006 £
Current assets			
Stocks	5	**241,131**	1,076,417
Debtors	6	**20,884**	175,023
		262,015	1,251,440
Creditors: amounts falling due within one year	7	**(212,643)**	1,288,020
Net current assets/(liabilities)		**49,372**	(36,580)
Capital and reserves			
Called-up equity share capital	12	**100**	100
Profit and loss account	13	**49,272**	(36,680)
Shareholders' funds/(deficit)	14	**49,372**	(36,580)

These financial statements were approved by the Board and authorised for issue on 30 April 2009 and are signed on their behalf by:

B J Howard
Director

A I Whitmill
Director

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. Ana analysis of turnover is given below:

	Period to 30 June 2008	Period to 31 December 2006
	£	£
United Kingdom	**4,663,597**	-

2 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	Period to 30 June 2008	Period to 31 December 2006
	£	£
Directors' emoluments	-	-
Auditor's remuneration:		
Audit fees	-	2,400

Auditor's remuneration has been borne by another group company.

3 Directors and employees

No salaries or wages have been paid to employees, including the directors, during the period.

4 Taxation on ordinary activities

a) The tax charge/(credit) represents:

	Period to 30 June 2008	Period to 31 December 2006
	£	£
Deferred tax	**15,720**	(15,720)
Tax on profit/(loss) on ordinary activities	**15,720**	(15,720)

Taxation on ordinary activities (continued)

b) Factors affecting current tax charge

The tax assessed on the loss for the period is lower than the standard rate of corporation tax in the UK of 30%.

	Period to 30 June 2008	Period to 31 December 2006
	£	£
Profit/(loss) on ordinary activities before taxation	**1,101,672**	(52,400)
Profit/(loss) on ordinary activities by rate of tax	**330,502**	(15,720)
(Utilisation)/creation of tax losses	**(330,502)**	15,720
Total current tax	**-**	-

Note 4b) does not show the full analysis of the differences to the tax charge and as such does not comply with Financial Reporting Standard 19 'Deferred Tax'. It is the directors' opinion that this does not affect the readers' view of the financial statements, as separately analysed amounts would not be material.

5 Stocks

	30 June 2008	31 December 2006
	£	£
Work in progress	**241,131**	1,076,417

Interest on capital borrowed to finance construction is included in stocks to the extent of £nil (31 December 2006: £36,365).

6 Debtors

	30 June 2008	31 December 2006
	£	£
Other debtors	**20,884**	15,720
Amounts owed by group undertakings	**-**	159,303
	20,884	175,023

7 Creditors: amounts falling due within one year

	30 June 2008	31 December 2006
	£	£
Bank loans and overdrafts	103,477	1,135,620
Other creditors	-	150,000
Accruals and deferred income	-	2,400
Amounts due to group undertakings	109,166	-
	212,643	1,288,020

The bank loans and overdrafts are secured by an all asset debenture in favour of the Royal Bank of Scotland.

8 Deferred taxation

	£
At 31 December 2006	(15,720)
Movement in the period	15,720
At 30 June 2008	-

Deferred taxation provided for in the financial statements is set out below.

	30 June 2008	31 December 2006
	£	£
Tax losses	-	(15,720)

9 Capital commitments

There were no capital commitments as at 30 June 2008 (31 December 2006 - £nil).

10 Contingencies

At 30 June 2008 the company had a group cross guarantee with the following companies;
Barry Howard Homes Limited, Barry Howard Group PLC, Bio Wayste (formerly Barry Howard Waste Management Ltd), Barry Howard Homes (HB) Limited, Barry Howard Homes (Eastern) Limited, Barry Howard Homes (Midlands) Limited, Barry Howard Homes (Investments) Limited and Barry Howard Homes (East Midlands) Limited.

At 30 June 2008 the maximum liability under this guarantee was £8,958,292 (31 December 2006: £5,964,251).

11 Related party transactions

The company has taken advantage of the exemption offered by Financial Reporting Standard No.8 Related Party Disclosures not to disclose transactions with other group companies on the grounds that it is a wholly owned subsidiary and group accounts are publicly available from the registered office of the ultimate parent undertaking.

12 Share capital

Authorised share capital:

	30 June 2008	31 December 2006
	£	£
100 Ordinary shares of £1 each	**100**	100

Allotted, called up and fully paid:

	No	£
Ordinary shares of £1 each	**100**	100

13 Profit and loss account

	30 June 2008	31 December 2006
	£	£
Balance brought forward	**(36,680)**	-
Profit/(loss) for the financial period	**1,085,952**	(36,680)
Dividends paid	**(1,000,000)**	
Balance carried forward	**49,272**	(36,680)

14 Reconciliation of movements in shareholders' funds

	30 June 2008	31 December 2006
	£	£
Profit/(loss) for the financial period	**1,085,952**	(36,680)
New ordinary share capital subscribed	-	100
Net increase/(decrease) to shareholders' funds	**1,085,952**	(36,580)
Dividend paid	**(1,000,000)**	-
Opening shareholders deficit	**(36,580)**	-
Closing shareholders' funds	**49,372**	(36,580)

15 Emphasis of matter - Going concern

On 3 July 2008 the immediate parent company, Barry Howard Homes Limited entered into a Creditors Voluntary Arrangement. This was to allow the directors to effect an orderly sale of part complete sites and maximise the value of land with future development potential.

The banks have been supportive throughout this process and on 26 January 2009 extended the group overdraft facility to £2,050,000 to enable the completion of some sites, weatherproofing some part complete sites and obtaining planning permission on development land to enhance value.

The ability of the company to continue trading depends heavily on an upturn in the property market. The directors have made their best estimate of the current value of land and property assets, where they believe that cost exceeds net realisable value. These write downs have been included in the accounts but in this current market, it is not possible to be certain whether these provisions against the value of assets will be sufficient.

The company will also continue to incur interest charges until assets are sold. Every effort is being made to agree sales on all trade assets to reduce the overall bank indebtedness and reduce the ongoing interest charge. However, the group and the company are entirely reliant on the support of its bankers to allow sufficient time to realise assets at maximum value.

The directors remain positive that they can ultimately realise sufficient assets to comply with the terms of the Creditors Voluntary Arrangement but recognise that it is impossible to be specific about the timing. They will continue to work closely with their bankers, who have been positive about progress to date and currently remain supportive.

The impact of a failure to trade through this period would be a forced sale of assets, which in this climate is very likely to be significantly less than the directors' current best estimate of value as stated in these financial statements.

16 Ultimate parent company

The controlling related party of this company is Barry Howard Homes Limited by virtue of its majority shareholding of the issued share capital. The ultimate parent undertaking is Barry Howard Group PLC.

The ultimate controlling party of this company is Barry Howard by virtue of his shareholding in Barry Howard Group PLC.