

Company number
5988581

CASTLE TOPCO LIMITED

(formerly Crest Nicholson Group Limited)

DIRECTORS' REPORT AND ACCOUNTS

31st October 2008

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DIRECTORS' REPORT

The Directors present their annual report with the consolidated accounts of the Company and its subsidiaries for the year to 31st October 2008. On 19th December 2008 the company changed its name from Crest Nicholson Group Limited to Castle Topco Limited ("CTL").

Principal activities and business review

PRINCIPAL ACTIVITY

During the year to 31st October 2008, the principal activity of the group was the design and delivery of sustainable housing and mixed use communities. On 20th January 2009, the directors took the decision to seek a solvent liquidation of the company, following the disposal of the trading operations of the group to Crest Nicholson Holdings Limited, a new holding company outside the CTL group in March 2009. CTL will be placed into a solvent members' voluntary liquidation in due course. As a result of this decision, the directors have not prepared these financial statements on a going concern basis.

RESULTS AND DIVIDEND

Results for the financial year ended 31st October 2008 reflect the extremely challenging conditions in the housing market in 2008. Reductions in the availability of mortgage finance, falling property valuations and declining consumer confidence have all combined to bring both volumes and prices under pressure.

CTL profits before interest, tax and exceptional items were £23.9m (2007 £59.9m¹). In view of the difficult market conditions experienced in 2008, a number of exceptional charges were booked in the year, to reduce land and work in progress to its realisable value and to reflect impairment of intangible assets held on the CTL balance sheet since the acquisition of Crest Nicholson PLC ("Crest") in May 2007.

Inclusive of these exceptional items, CTL recorded a loss after taxation for the year of £521.7m (2007 £12.0m).

The Directors do not propose a dividend (2007 13p per share).

FINANCIAL POSITION

Following the acquisition of Crest Nicholson PLC, CTL has been significantly debt-funded, resulting in a highly-gearred balance sheet. In common with other house builders, Crest Nicholson has suffered from the material decline in sale volumes and sale prices through 2008. At 31st October 2008, CTL had net liabilities of £479.6m (2007 assets £71.6m) and net borrowings of £1,045.8m (2007 £875.8m).

In March 2009, the group successfully concluded a financial restructuring that reduced its liabilities to lenders by £630m, introduced a new £40m working capital facility and restructured the terms of its remaining debt to the end of March 2012. As part of this restructure, CTL sold the trading operations of the group to Crest Nicholson Holdings Limited, a new holding company outside the CTL group.

This revised structure places the continuing Crest Nicholson group in a much stronger position to deal with current economic conditions and to take advantage of commercially attractive opportunities when they arise.

¹ On 3rd May 2007, Crest Nicholson PLC (Crest) was acquired by Castle Bidco Ltd, a company jointly owned by subsidiaries of HBOS and West Coast Capital.

Castle Topco Limited (formerly Crest Nicholson Group Ltd) (CTL) is the ultimate parent company of Crest Nicholson PLC. Income statement comparatives for CTL in 2007 are for the period 3rd May 2007 to 31st October 2007.

HOUSING

Total Crest housing completions in 2008 were 2,825 units, down 14% on the 3,270 completions achieved in 2007. Open market completions of 2,005 (2007 2,414) were down 17%, whilst completions of affordable units were down 22% to 820 (2007 1,045).

The average sale price was £179k, down 9.6% on the £198k recorded in 2007.

Forward sales for 2009 and later years amounted to £164.2m (2007 £379.8m), which includes c.24% of 2009 open market housing sales (2007 42%).

MIXED USE COMMERCIAL

Commercial property sales from our mixed use schemes were £43.8m, up 72% on the £25.4m achieved in 2007. This increase was underpinned by the sale of the lease on 100,000sq ft of office space at our Bristol Harbourside development.

Conditions in the commercial property market remain subdued, with both sales and lettings proving increasingly difficult to achieve against the backdrop of a slowing economy.

MARGINS

EBITDA margins before exceptional items reduced to 4.5% (2007 15.2%) as the impact of falling sales prices largely drops through to margins. Crest has engaged with suppliers and sub-contractors to mitigate sales price degradation through cost savings and efficiencies.

During the year, the group engaged in a number of headcount reduction programmes, which resulted in c.160 people leaving the business. In addition, after the year end, the closure of three of the six regional business units was announced, generating further overhead savings.

LAND BANK

The group's contracted land bank is summarised in terms of units and gross development value as follows:

	2008		2007	
	Units	GDV £m	Units	GDV £m
Short term housing	15,445	2,728	17,022	3,355
Short term commercial	-	207	-	467
Total short term	15,445	2,935	17,022	3,822
Strategic land	17,759	3,322	16,132	2,923
Total under contract	33,204	6,257	33,154	6,745

The short term housing land bank declined by 1,577 plots in the year, as a result of a policy of restricting land buying to conserve cash and to allow time for falling house prices to feed through to land values.

At the 2008 level of turnover, the short term housing portfolio continues to represent over 5 years supply.

Our strategic land bank has continued to grow, offering a source of longer-term development value as sites are converted to short term portfolio at the prevailing market price.

BUSINESS SUSTAINABILITY

Despite the impact that the current business downturn is having on the industry generally, Crest has re-affirmed its commitment to the core values and design and sustainability ambitions set out in its Mission statement.

Reductions in mortgage availability and declining sales values raise challenges to current models of housing provision. Whilst developers have been cutting production by as much as 50% to match with current rates of sale, the Government's forecast for new household formations remains unaltered, pointing to a serious and growing housing shortage.

The decline experienced in sales values radically alters the economics of development, rendering much consented land unviable, particularly brownfield developments. In addition, the direction of Government policy and regulation is such that the industry can anticipate a significant and progressive increase in its cost base, which sets an uncertain and economically challenging context for business planning.

Whilst needing assistance from the public sector to restore viability to parts of its land portfolio, Crest will not do so by cutting quality or reducing its commitment to delivering sustainable development proposals.

Crest continues to be committed to the progressive reduction of its carbon footprint both operationally and in its own administration and recognises the importance of understanding and addressing the immediate and longer term challenges posed by climate change. Climate change is particularly important for UK house building because Greenhouse Gas (GHG) emissions from homes contribute approximately 24% of UK GHG emissions.

Last year we commissioned a climate change impact assessment to provide a baseline for our management operations, to enable the setting of targets for emissions reductions and identify the specific measures by which these reductions can be achieved. We have developed a Climate Change Policy and in 2008 we published our first Climate Change review.

We were pleased to see our sustainability credentials recognised in the year by achieving 2nd place in the Next generation ranking of the environmental performance of major UK developers.

EMPLOYEES

Crest's employees have performed very well in what has been a difficult year across the industry.

It has regrettably been necessary to engage in headcount reductions in order to secure the future viability of the business. Employees have been consulted during these processes and where positions have been identified as redundant, every effort has been made to re-deploy individuals in suitable, alternative roles.

Where this has not been possible, Crest has offered support in seeking alternative employment.

RISKS AND UNCERTAINTIES

The principal risks facing Crest in 2009 are that:

- existing difficulties in the UK housing market will be compounded by a rise in unemployment and/or pessimism about employment prospects
- lenders will reduce the percentage loan-to-values that they are prepared to lend to first-time buyers as they seek to ration their overall mortgage lending
- rates of price decline for new build housing accelerate as consumer confidence declines, developers compete to clear built stock and valuers seek to apply distressed valuations to developments

Crest is entering 2009 with a lower forward sales percentage than it entered 2008; 283 open market units for 2009 completion, compared with 1,028 in the prior year. Volume levels for 2009 are thus likely to be lower than in 2008.

The financing of Crest's operations has been restructured to reduce the interest burden on the business and ensure that there is sufficient working capital to sustain trading. Latest forecasts, which take account of current conditions, project that there will be adequate headroom within the revised facilities to enable the business to continue trading and avoid covenant breaches.

In the longer term, the risks facing Crest relate to the ability to recruit and retain staff with the requisite skills to secure and deliver sustainable developments which generate appropriate returns and that increasing regulation, cost and delay will render schemes unviable.

OUTLOOK

In the short term, the business will continue to face challenges with declining prices and reduced volumes. Over the longer term, the fundamentals of the housing market remain strong, underpinned by a structural imbalance between supply and demand.

The steps that have been taken to restructure the operations and the finances of the business, along with our continued commitment to excel in the area of sustainable development, will provide a solid platform for future profitability.

Share capital

Details of shares issued during the year are set out in Note 20 to the accounts.

Donations

During the year the Group made donations to charities of £41,546 (2007 £28,874). There were no political donations made.

Employment policies

Arrangements exist to keep all employees informed on matters of concern to them through a variety of media including conferences, newsletters and meetings.

It is the policy of the Group that disabled persons shall be considered for employment, training, career development and promotion on the basis of their aptitudes and abilities, in common with all employees. The services of any existing employee who becomes disabled are retained wherever possible.

Training

The Group recognises that its reputation is very dependent on the quality, effectiveness and skill base of its employees. There is a commitment at Board level to ensure that its employees and management are properly inducted into the Company and given necessary training to fulfil their roles. With ever increasing customer demands, particular emphasis is placed on customer service and build quality skills training.

Directors

The Directors during the year were:-

Mr S Stone	
Mr D J B Shearer	
Mr D P Darby	
Mr N C Tinker	
Mr P Calcutt	(Appointed 27 th May 2008)
Mr B S Anderson	
Mr P R Davidson	(Resigned 27 th May 2008)
Mr A J H Hepburn	(Resigned 27 th May 2008)
Mr J C McMahon	
Mr P J Davies	(Appointed 17 th June 2008)
Ms J Mumford	(Appointed 22 nd November 2006; resigned 24 th October 2007)

Environmental policy

It is the Company's policy to assess environmental issues which may be applicable to its business, customers and the general public and to take such measures consistent with being a responsible property development group.

Creditor payment policy

The Group's policy concerning the payment of its trade creditors is as follows:

- to agree the terms of payment at the start of business with the supplier;
- to ensure that suppliers are aware of the terms of payment;
- to pay in accordance with its contractual and other legal obligations; and
- not to alter payment terms without prior agreement of the supplier.

The Company does not have trade creditors. Creditor days for the Company's subsidiary undertakings are shown in the financial statements of those undertakings.

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.

By Order of the Board



K M Maguire

Secretary

19 MARCH 2009

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 group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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. As explained in note 1, following the disposal of the trading operations of the group to Crest Nicholson Holdings Limited in March 2009 and the directors' intention to place the company into a solvent members' voluntary liquidation, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CASTLE TOPCO LIMITED (FORMERLY CREST NICHOLSON GROUP LIMITED)

We have audited the group and parent company financial statements (the "financial statements") of Castle Topco Limited (formerly Crest Nicholson Group Limited) for the year ended 31 October 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have not been prepared on a going concern basis for the reasons set out in note 1 to the financial statements, but 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 group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company 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 6.

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 whether the financial statements have been 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 group's and 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.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 October 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 October 2008;
- 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

14 March 2009

Consolidated income statement

For year ended 31st October 2008

	Note	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
Revenue – discontinued activities	2	544.3	405.0
Cost of sales			
Before exceptional items		(475.6)	(324.1)
Exceptional items	3	(129.3)	-
		(604.9)	(324.1)
Gross profit/(loss)			
Before exceptional items		68.7	80.9
Exceptional items	3	(129.3)	-
		(60.6)	80.9
Administrative expenses			
Before exceptional items		(44.2)	(24.7)
Exceptional items	3	(277.6)	-
		(321.8)	(24.7)
Share of post tax losses from jointly controlled entities	11	(1.7)	(0.6)
Other operating income		1.1	4.3
Profit/(loss) from operations	4		
Before exceptional items		23.9	59.9
Exceptional items	3	(406.9)	-
		(383.0)	59.9
Finance income		6.3	3.5
Finance costs			
Before exceptional items		(127.2)	(66.7)
Exceptional items	3	(22.1)	(6.8)
	6	(149.3)	(73.5)
Loss before taxation			
Before exceptional items		(97.0)	(3.3)
Exceptional items	3	(429.0)	(6.8)
		(526.0)	(10.1)
Income tax expense	7	4.3	(1.9)
Loss for the year/period attributable to equity shareholders		(521.7)	(12.0)

Consolidated statement of recognised income and expense

For year ended 31st October 2008

	Note	2008 £m	2007 £m
Cash flow hedges: effective portion of changes in fair value, net of tax	22	(25.2)	(2.0)
Change in fair value of available for sale assets	12	(2.2)	-
Actuarial (losses)/gains on defined benefit pension schemes, net of tax	23	(2.1)	1.0
Net expense recognised directly in equity	20	(29.5)	(1.0)
Loss for the year/period		(521.7)	(12.0)
Total recognised expense attributable to equity shareholders		(551.2)	(13.0)

Consolidated balance sheet
at 31st October 2008

ASSETS	Note	2008 £m	2007 £m
Non-current assets			
Intangible assets	9	109.6	387.2
Property, plant and equipment	10	5.2	2.2
Investments in joint ventures	11	4.0	2.5
Available for sale assets	12	7.0	4.3
Trade and other receivables	14	-	1.5
Deferred tax assets	18	-	11.4
		<u>125.8</u>	<u>409.1</u>
Current assets			
Inventories	13	697.0	845.5
Trade and other receivables	14	59.6	71.3
Cash and cash equivalents	15	21.7	10.3
		<u>778.3</u>	<u>927.1</u>
Total assets		<u>904.1</u>	<u>1,336.2</u>
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	16	(760.8)	(870.4)
Interest swaps	22	(27.2)	(2.8)
Trade and other payables	17	(59.8)	(33.8)
Retirement benefit obligations	23	(13.6)	(20.3)
Provisions	19	(1.2)	(1.1)
		<u>(862.6)</u>	<u>(928.4)</u>
Current liabilities			
Interest bearing loans and borrowings	16	(285.0)	(5.4)
Trade and other payables	17	(235.6)	(324.8)
Current tax liabilities		-	(4.8)
Provisions	19	(0.5)	(1.2)
		<u>(521.1)</u>	<u>(336.2)</u>
Total liabilities		<u>(1,383.7)</u>	<u>(1,264.6)</u>
Net (liabilities)/assets		<u>(479.6)</u>	<u>71.6</u>
SHAREHOLDERS' (DEFICIT)/EQUITY			
Share capital	20	10.0	10.0
Share premium	20	81.5	81.5
Hedge reserve	20	(27.2)	(2.0)
Retained earnings	20	(543.9)	(17.9)
Total (deficit)/equity attributable to equity shareholders	20	<u>(479.6)</u>	<u>71.6</u>

These financial statements were approved by the board of directors on 19 March and were signed on its behalf by:

S Stone

DP Darby

Directors

Consolidated cash flow statement
for year ended 31st October 2008

	Note	2008 £m	2007 £m
Cash flows from operating activities			
Loss for the period		(521.7)	(12.0)
Exceptional items:			
Impairment of brand		173.3	-
Impairment of goodwill		104.3	-
Write down stock to net realisable value		113.5	-
Accelerated amortisation of finance fees & other re-financing costs		22.1	6.8
Other exceptional items		15.8	-
Adjustments for:			
Depreciation charge		0.8	0.4
Net finance charges		120.9	63.2
Share of loss of joint ventures		1.7	0.6
Gain on sale of property, plant and equipment		-	(1.8)
Taxation		(2.9)	1.9
Operating profit before changes in working capital and provisions		27.8	59.1
Decrease/(increase) in trade and other receivables		19.1	(20.0)
Decrease in inventories		25.6	0.1
(Decrease)/increase in trade and other payables		(117.4)	35.6
Cash (used by)/generated from operations		(44.9)	74.8
Interest paid		(65.0)	(48.2)
Income tax paid		(2.2)	(6.3)
Net cash from operating activities		(112.1)	20.3
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(675.6)
Proceeds from sales of property, plant and equipment		-	1.8
Purchases of property, plant and equipment		(3.8)	(0.3)
Loans to joint ventures		(3.2)	(2.4)
(Increase)/decrease in available for sale assets		(4.9)	0.1
Net cash from investing activities		(11.9)	(676.4)
Cash flows from financing activities			
Net proceeds from the issue of share capital		-	91.5
Drawdown of loan facilities		135.4	875.8
Debt arrangement & facility fees		-	(33.0)
Repayment of loans		-	(261.4)
Dividends paid		-	(6.5)
Net cash flow from financing activities		135.4	666.4
Net increase in cash and cash equivalents		11.4	10.3
Cash and cash equivalents at the beginning of the year/period		10.3	-
Cash and cash equivalents at end of the year/period	15	21.7	10.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Castle Topco Limited (formerly Crest Nicholson Group Limited) (the "Company") is a company incorporated in the UK. The company was incorporated on 3rd November 2006 and prepared its first set of accounts for the period ended 31st October 2007. The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and include the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 34 to 37.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

These financial statements follow IFRS 7 'Financial Instruments Disclosures' which is effective for the first time this year. The impact of this standard did not have a material effect on the financial statements and so the comparatives have not been restated.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

Measurement convention

The financial statements are prepared in accordance with the historical cost convention, except for certain financial instruments and available for sale assets, which are carried at fair value.

Basis of preparation – going concern

As set out in note 28 below, the group has been involved in extensive discussions with shareholders and lenders, with a view to significantly restructuring the finances of the group, reducing the burden of debt and increasing its working capital facilities. Following the High Court sanction of the scheme of arrangement on 19th March 2009, the group has sold its interest in the trading operations of the group and the company will in due course be placed into a solvent members' voluntary liquidation. For this reason the financial statements have not been prepared on a going concern basis.

The only adjustment made to the financial statements as a result of the application of a non-going concern basis has been to present the Series A loan notes (£268.7m) as a current liability. These will not be part of the ongoing operational group and the company (Castle Midco Limited) is being placed into solvent members' voluntary liquidation. Because the disposal of the remaining trading operations of the group to Crest Nicholson Holdings Limited since the balance sheet date was a disposal of a going concern, the directors consider that it is not appropriate to reclassify any of the other non-current assets and liabilities as current.

The following analysis is relevant to the assessment of the going concern status of the operational group, which has been disposed of.

The new group ("the New Group") headed by Crest Nicholson Holdings Limited is dependent for its working capital requirements on funds provided to it through senior bank facilities totalling £500 million and a working capital facility of £40 million. As part of the restructuring, the Directors prepared cash flow projections for the period to maturity of the senior facilities. These projections have been updated subsequently and show that the New Group is capable of operating within the bank facilities currently available and meeting the financial covenant tests. However, the nature of the New 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. The Directors have concluded, after making enquiries and considering the uncertainties described above, that there is a reasonable expectation that the New 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 operational group within the group financial statements 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.

Consolidation

The consolidated accounts include the accounts of Castle Topco Limited and entities controlled by the Company (its subsidiaries) at the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The profits and losses of subsidiaries acquired or sold during the year are included as from or up to their effective date of acquisition or disposal.

On acquisition of a subsidiary, all of the subsidiary's separable, identifiable assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition income statement or statement of recognised income and expense.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill allocated to the strategic land holdings is recognised as an asset, being the intrinsic value within these holdings in the acquired entities, which is realised upon satisfactory planning permission being obtained and sale of the land.

Goodwill is assessed for impairment at each reporting date by performing a value in use calculation, using a discount factor based on the Group's pre-tax weighted average cost of capital. It is tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining acquired strategic land holdings, taking account of historic experience and market conditions. Any impairment loss is recognised immediately in the income statement.

Brand intangibles

Internally generated brands are not held on the balance sheet. The Group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles, as the Group believes that the value of the brands may be maintained indefinitely, subject to market conditions. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the housebuilding sector's pre-tax weighted average cost of capital. Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis.

Joint ventures

A joint venture is an undertaking in which the Group has a participating interest and which is jointly controlled under a contractual arrangement.

Where the joint venture involves the establishment of a separate legal entity, the Group's share of results of the joint venture after tax is included in a single line in the consolidated income statement and its share of net assets is shown in the consolidated balance sheet as an investment.

Where the joint venture does not involve the establishment of a legal entity, the Group recognises its share of the jointly controlled assets and liabilities and income and expenditure on a line by line basis in the balance sheet and income statement.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable, net of value-added tax, rebates and discounts but excludes the sale of properties taken in part exchange.

Revenue is recognised once the value of the transaction can be reliably measured and the significant risks and rewards of ownership have been transferred.

Revenue is recognised on house sales at legal completion. Revenue is recognised on land sales and commercial property sales from the point of unconditional exchange of contracts. Where the conditions for the recognition of revenue are met but the Group still has significant acts to perform under the terms of the contract, revenue is recognised as the acts are performed.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance.

Taxation

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax is the expected tax payable on taxable profit for the period and any adjustment to tax payable in respect of

previous periods. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences, except those exempted by the relevant accounting standard, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are paid.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost. Freehold land is not depreciated.

Plant, vehicles and equipment are depreciated on cost less residual value on a straight line basis at rates varying between 10% and 33% determined by the expected life of the assets.

Available for sale financial assets

We have reconsidered the accounting treatment of these assets, which were previously immaterial and accounted for as Investment properties and determined that they should be accounted for as Available for sale financial assets.

These financial assets are initially recognised at fair value. Changes in fair value are recognised directly in equity, until the asset is divested.

On disposal of these financial assets, the difference between the carrying value and the consideration received plus cumulative fair value movements previously recognised in equity is recognised in the income statement.

Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset; all other leases are operating leases.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value. Land includes land under development, undeveloped land and land option payments. Work in progress comprises direct materials, labour costs, site overheads, associated professional fees and other attributable overheads.

Land inventories and the associated land creditors are recognised in the balance sheet from the date of unconditional exchange of contracts. If land is purchased on deferred settlement terms then the land and the land creditor are discounted to their fair value. The land creditor is then increased to the settlement value over the period of financing, with the financing element being charged as interest expense through the income statement.

Cash and cash equivalents

Cash and cash equivalents are cash balances in hand and in the bank. For the purpose of the cash flow statement, bank overdrafts are considered part of cash and cash equivalents as they form an integral part of the Group's cash management. Offset arrangements across Group businesses are applied to arrive at the net cash figure.

Retirement benefit costs

The Group operates a defined benefit pension scheme (closed to new employees) and also makes payments into a defined contribution scheme for employees.

In respect of defined benefit schemes, the net obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, such benefits measured at discounted present value, less the fair value of the scheme assets. The discount rate used to discount the benefits accrued is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees and financing costs are recognised in the periods in which they arise.

The Group has applied the requirements of IAS 19 (revised), recognising expected scheme gains and losses via the income statement and actuarial gains and losses recognised in the period they occur directly in equity through the statement of recognised income and expense.

Payments to the defined contribution schemes are accounted for on an accruals basis.

Financial Instruments

Trade receivables

Trade receivables which do not carry any interest are stated at their nominal amount less impairment losses.

Trade payables

Trade payables are generally stated at their nominal amount; trade payables with deferred settlement terms are recorded at their fair value.

Borrowings

Interest bearing bank loans and overdrafts are measured initially at fair value, net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise or included within interest accruals.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value. The fair value of swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account the current creditworthiness of the swap counterparties.

Where the derivative instrument is deemed an effective hedge over the exposure being hedged, the derivative instrument is treated as a hedge and hedge accounting applied. Under a fair value hedge the change in the fair value of the derivative is recognised in the income statement and offsets the movement in fair value of the hedged item. Under a cash flow hedge, gains and losses on the effective portion of the change in the fair value of the derivative instrument are recognised directly in equity.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting and any ineffectiveness in the hedge relationship are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to net profit or loss for the period.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Impact of Standards and Interpretations in issue but not yet effective

A number of relevant new standards, amendment to standards and interpretations are not yet effective for the period ended 31 October 2008 and have not been applied in preparing these consolidated financial statements:

IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents information under a single operating and geographical segment. The Group will review the implications of IFRS 8 in preparing its 2010 financial statements.

Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2010 financial statements and may constitute a change in accounting policy for the Group.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2009 financial

statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

IFRIC 15 - *Real Estate Sales* requires real estate sale agreements to be accounted for under IAS 11 only if it is a contract to provide construction services to the buyers' specifications. Alternatively, if it is an agreement for the sale of goods (completed real estate units) then it would be accounted for under IAS 18. The Group will review the implications of IFRIC 15 in preparing its 2010 financial statements.

With the exception of revised IAS 23 and IFRIC 15, the Directors expect that the adoption of these standards and interpretations in future periods will not have any significant impact on the financial statements of the Group. Revised IAS 23 *Borrowing Costs* and IFRIC 15 *Real Estate Sales* may represent changes in accounting policy and have a potentially significant impact on the Group's 2010 financial statements.

2 REVENUE

There is no Group revenue in geographical markets outside the United Kingdom.

No segmental information has been presented as the Directors consider that there is only one business and geographical segment.

3 EXCEPTIONAL ITEMS

	Year ended 31 st October	Period ended 31 st October
	2008	2007
	£m	£m
Cost of sales		
Land and work in progress write downs	129.3	-
Administrative expenses		
Impairment of goodwill	104.3	-
Impairment of other intangible assets	173.3	-
	<u>277.6</u>	
Finance costs		
Accelerated amortisation of facility fees and other re-financing costs	22.1	6.8
	<u>429.0</u>	<u>6.8</u>

During the year, the Group has tested its goodwill and other intangible assets for impairment, resulting in the impairment charges shown above. In addition, the significant deterioration in market conditions has resulted in the carrying values of land and work in progress being written down to net realisable value.

Financing costs include an exceptional charge of £22.1m, being the accelerated amortisation of facility and arrangement fees to reflect the reduced anticipated duration of the facilities to which they relate, plus exceptional costs incurred in relation to the re-financing process.

As a result of the acquisition of Crest Nicholson PLC by Castle Bidco Limited on 3rd May 2007, significant additional financing costs were incurred. The exceptional item of £6.8m in 2007 represents the cost of early termination of fixed-term borrowings which arose as a result of the re-financing of the acquired business.

4 (LOSS)/PROFIT FROM OPERATIONS

	Year ended 31 st October	Period ended 31 st October
	2008	2007
	£m	£m
(Loss)/profit from operations is stated after charging/(crediting) the items set out below:		
Staff costs (Note 5)	40.1	21.9
Net gain on disposal of property, plant & equipment	-	(1.8)
Depreciation	0.8	0.4
Operating lease rentals:		
Hire of plant and machinery	0.1	0.1
Other – including land and buildings	<u>3.3</u>	<u>2.4</u>
Auditors' remuneration:	£000	£000
Audit of these financial statements	39	39
Audit of financial statements of subsidiaries pursuant to legislation	153	121
Other services pursuant to legislation	-	86
Other services relating to taxation	<u>158</u>	<u>23</u>

In addition to the Auditors' remuneration disclosed above, fees of £6.3k (2007 £7k) were paid to the Group's auditors by the Crest Nicholson Money Purchase pension scheme in respect of the audit of the scheme.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

5 STAFF NUMBERS & COSTS

	Year ended 31 st October	Period ended 31 st October
	2008	2007
Average number of persons employed by the Group	Number	Number
Development	716	757
Head office	<u>12</u>	<u>14</u>
	<u>728</u>	<u>771</u>
Staff costs	£m	£m
Wages and salaries	33.6	18.1
Social security costs	3.6	2.0
Other pension costs	<u>2.9</u>	<u>1.8</u>
	<u>40.1</u>	<u>21.9</u>

Key Management comprises the Main Board, as the Directors are considered to have the authority and responsibility for planning, directing and controlling the activities of the Group. Details of Directors' remuneration, pension and share based payments are as follows:-

DIRECTORS' REMUNERATION

	Year ended 31 st October 2008 £000	Period ended 31 st October 2007 £000
Aggregate emoluments	1,888	674

Retirement benefits are accruing to four (2007: four) directors under the Crest Nicholson defined benefit scheme.

Highest paid Director

Emoluments	590	362
Defined benefit scheme:		
Accrued pension at end of year	87	77

6 FINANCE INCOME & EXPENSE

	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
Interest income	0.2	0.2
Imputed interest on deferred debtors	-	0.1
Expected return on defined benefit pension plan assets	6.9	3.4
Scheme expenses	(0.8)	(0.2)
Finance income	6.3	3.5
Interest on bank loans & overdrafts	98.4	44.3
Interest on loan notes	42.5	25.1
Imputed interest on deferred land creditors	1.7	0.9
Interest on defined benefit pension plan obligations	6.7	3.2
Finance expenses	149.3	73.5

7 TAXATION

	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
Current tax expense		
UK Corporation tax on (losses)/profits for the year/period	(9.7)	1.0
Deferred tax expense		
Origination and reversal of temporary differences (note 18)	5.4	0.9
Total tax in income statement	(4.3)	1.9

The total tax charge for the year is higher (2007: higher) than the standard rate of UK corporation tax of 28.8% (2007: 30%). The differences are explained below:

	£m	£m
Loss before tax	<u>(526.0)</u>	<u>(10.1)</u>
Tax on Loss at 28.8% / 30.0%	(151.5)	(3.0)
Effects of:		
Items not deductible for tax purposes	10.5	3.3
Adjustment in respect of prior years	(2.8)	-
Trapped losses	-	2.1
Tax losses for which no deferred tax asset was recognised	58.5	-
Goodwill and brand impairment disallowed	81.0	-
Effect of capital tax losses utilised	<u>-</u>	<u>(0.5)</u>
Total tax in income statement	<u>(4.3)</u>	<u>1.9</u>

8 DIVIDENDS

Year ended 31 st October	Period ended 31 st October
2008	2007
£m	£m

Amounts recognised as distributions to equity shareholders in the period:

2007 interim dividend paid of 13p per share

-	<u>6.5</u>
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There were no distributions to equity shareholders in the year. No dividend has been proposed by the directors after the balance sheet date.

9 INTANGIBLE ASSETS

	2008	2008	2008	2007	2007	2007
	£m	£m	£m	£m	£m	£m
	Goodwill	Brand	Total	Goodwill	Brand	Total
Cost						
At start of year/period	213.9	173.3	387.2	-	-	-
Acquired through business combination	-	-	-	213.9	173.3	387.2
At end of year/period	<u>213.9</u>	<u>173.3</u>	<u>387.2</u>	<u>213.9</u>	<u>173.3</u>	<u>387.2</u>
Impairment						
At start of year/period	-	-	-	-	-	-
Impairment charge	(104.3)	(173.3)	(277.6)	-	-	-
At end of year/period	<u>(104.3)</u>	<u>(173.3)</u>	<u>(277.6)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying value						
At end of year/period	<u>109.6</u>	<u>-</u>	<u>109.6</u>	<u>213.9</u>	<u>173.3</u>	<u>387.2</u>

Acquired brand values are calculated based on discounted cash flows and are tested annually for impairment. The recoverable amounts of the brand intangibles are determined by assessing value in use, using a house building sector weighted average cost of capital and appropriate estimates for long term growth.

Goodwill arose on the acquisition of Crest Nicholson PLC on 3rd May 2007. Goodwill is allocated to acquired strategic land holdings and is tested annually for impairment. The recoverable amounts are determined by assessing value in use, using a house building sector weighted average cost of capital of 10.6%, covering a period of 20 years (being the minimum period that management expects to benefit from the acquired strategic land holdings) and based on current market conditions.

As a result of the severe downturn in the house building sector during 2008 it has been determined that the recoverable amount of the brand intangible has reduced to zero and that an impairment loss of £104.3m has arisen in respect of goodwill.

10 PROPERTY, PLANT & EQUIPMENT

	Total Plant, Vehicles & Equipment £m	Total Plant, Vehicles & Equipment £m
Cost	2008	2007
At start of year/period	5.3	-
Acquired through business combination	-	5.0
Additions	3.8	0.3
Disposals	(1.3)	-
At end of year/period	7.8	5.3
Accumulated depreciation		
At start of year/period	3.1	2.7
Charged in the year/period	0.8	0.4
Disposals	(1.3)	-
At end of year/period	2.6	3.1
Net book value		
At end of year/period	5.2	2.2

11 INVESTMENTS IN JOINT VENTURES

	Cost of Investment £m	Loans £m	Share of Post Acquisition Reserves £m	Total £m
At 3 rd November 2006	-	-	-	-
Acquired through business combination	-	(2.5)	3.2	0.7
Share of loss for the period	-	-	(0.6)	(0.6)
Additions	-	2.4	-	2.4
At 31st October 2007	-	(0.1)	2.6	2.5
Share of loss for the year	-	-	(1.7)	(1.7)
Additions	-	3.2	-	3.2
At 31st October 2008	-	3.1	0.9	4.0

The Group owns 500 ordinary shares of £1 each representing 50% of the issued share capital of Brentford Lock Limited, a company registered in England, which was set up to redevelop a site in West London. The site was completed and all units sold in 2006. At 31st October 2008, £3m was due from Crest Nicholson Operations Limited to Brentford Lock Limited, pending declaration of a final dividend.

The Group has a 50% interest in Crest Nicholson Bioregional Quintain LLP, a Limited Liability partnership set up to develop a site in Brighton. At 31st October 2008, Crest Nicholson Bioregional Quintain LLP had Capital Employed of £9.4m.

The Group has a 50% interest in Crest/Galliford Try (Epsom) LLP, a Limited Liability partnership set up to develop three sites in Epsom, which are at an early stage of development. At 31st October 2008, Crest/Galliford Try (Epsom) LLP had Capital Employed of £58m.

The subsidiary undertakings which are significant to the Group and traded during the year are set out below. The Group's interest is in respect of ordinary issued share capital which is wholly owned and all the subsidiary undertakings are incorporated in Great Britain and included in the consolidated financial statements.

Subsidiary	Nature of business
Castle Midco Limited	Holding company
Castle Bidco Limited	Holding company
Crest Nicholson PLC	Holding company
Crest Nicholson Operations Limited	Residential and commercial property development
Crest Nicholson Residential (London) Limited	Holding company

12 AVAILABLE FOR SALE FINANCIAL ASSETS	2008	2007
	£m	£m
At start of year/period	4.3	-
Acquired through business combination	-	4.4
Additions	5.3	-
Disposals	(0.4)	(0.1)
Change in fair value	(2.2)	-
Balance at end of year/period	<u>7.0</u>	<u>4.3</u>

Crest Nicholson has operated an 'Easybuy' scheme, under which 25% of the purchase price of selected properties was funded through a loan from the Group, secured on the property. The Group retains a 25% interest in the market value of the property. These loans are repayable at 25% of the market value of the property upon sale or transfer of ownership of the property or within 10 years, whichever is sooner. The purchaser also has an option to repay the loan earlier than would otherwise be required, subject to a market valuation of the property.

Available for sale assets are held at fair value. The Directors believe that there is sufficient relevant expertise within the Group to perform this valuation.

13 INVENTORIES	2008	2007
	£m	£m
Work in progress: land, building and development	614.5	784.9
Completed buildings including show houses	<u>82.5</u>	<u>60.6</u>
	<u>697.0</u>	<u>845.5</u>

Included within inventories is £402.0m (2007: £401.8m) expected to be recovered in more than 12 months.

Inventories to the value of £445.2m (2007: £314.2m) were recognised as expenses in the year in respect of costs of units sold. A further £129.3m (2007: nil) of inventories were expensed in the year as a result of writing down land and work in progress to net realisable value.

14	TRADE AND OTHER RECEIVABLES	2008	2007
		£m	£m
	Non-current		
	Trade receivables	<u>-</u>	<u>1.5</u>
	Current		
	Trade receivables	22.8	40.6
	Recoverable on contracts	21.2	13.5
	Due from associate	-	0.2
	Corporation tax recoverable	7.1	-
	Other receivables	6.4	15.9
	Prepayments and accrued income	<u>2.1</u>	<u>1.1</u>
		<u>59.6</u>	<u>71.3</u>
15	CASH & CASH EQUIVALENTS	2008	2007
		£m	£m
	Cash and cash equivalents per the balance sheet	21.7	10.3
	Bank overdrafts repayable within one year	<u>-</u>	<u>-</u>
	Cash and cash equivalents per the cash flow statement	<u>21.7</u>	<u>10.3</u>
16	BORROWINGS	2008	2007
		£m	£m
	Non-current		
	Revolving credit facility drawings	552.5	408.4
	Term loans	79.2	88.0
	Working capital facility	(1.1)	(3.6)
	Mezzanine loan	99.3	97.7
	Series A loan notes	-	243.8
	Other loan notes	12.8	18.8
	Other loans	<u>18.1</u>	<u>17.3</u>
		<u>760.8</u>	<u>870.4</u>
	Current		
	Term loans	16.7	5.4
	Series A loan notes	<u>268.3</u>	<u>-</u>
		<u>285.0</u>	<u>5.4</u>

17 TRADE AND OTHER PAYABLES

	2008	2007
	£m	£m
Non-current		
Land payables on contractual terms	58.8	32.2
Other creditors	1.0	1.6
	<u>59.8</u>	<u>33.8</u>
Current		
Land payables on contractual terms	50.6	133.8
Other trade payables	26.4	34.0
Payments on account	2.7	4.2
Due to associates	0.4	0.4
Other taxes and social security costs	1.3	1.1
Other payables	26.8	51.1
Accruals	127.4	100.2
	<u>235.6</u>	<u>324.8</u>

18 DEFERRED TAX ASSETS

	At start of year	Acquired through business combination	Recognised in income	Recognised in equity	2008
	£m	£m	£m	£m	£m
Property, plant and equipment	0.1	-	(0.1)	-	-
Pension excess contribution	1.1	-	(1.1)	-	-
Retirement benefit obligation	5.7	-	(0.5)	(5.2)	-
Deferred payments	0.9	-	(0.9)	-	-
Stock fair value adjustment	2.8	-	(2.8)	-	-
Derivatives	0.8	-	-	(0.8)	-
	<u>11.4</u>	<u>-</u>	<u>(5.4)</u>	<u>(6.0)</u>	<u>-</u>
	At start of period	Acquired through business combination	Recognised in income	Recognised in equity	2007
	£m	£m	£m	£m	£m
Property, plant and equipment	-	0.2	(0.1)	-	0.1
Pension excess contribution	-	-	1.1	-	1.1
Retirement benefit obligation	-	8.8	(1.6)	(1.5)	5.7
Deferred payments	-	1.2	(0.3)	-	0.9
Stock fair value adjustment	-	1.0	1.8	-	2.8
Derivatives	-	-	-	0.8	0.8
	<u>-</u>	<u>11.2</u>	<u>0.9</u>	<u>(0.7)</u>	<u>11.4</u>

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £60.3m in respect of losses amounting to £215.4m that can be carried forward against future taxable income. The group did not recognise other deferred tax assets of £15.0m in respect of timing differences of £53.6m, in relation to interest rate swap (£27.2m), retirement benefit obligations (£16.1m), and deferred creditors adjustment (£2.2m).

19 PROVISIONS

	2008 £m	2007 £m
Rental obligations in respect of vacant properties		
Non-current		
At start of year/period	1.1	-
Acquired through business combination	-	1.0
Charge to the income statement	0.1	0.1
At end of year/period	<u>1.2</u>	<u>1.1</u>
Current		
At start of year/period	1.2	-
Acquired through business combination	-	1.3
Credit to the income statement	(0.7)	(0.1)
At end of year/period	<u>0.5</u>	<u>1.2</u>

20 CAPITAL AND RESERVES

Reconciliation of movement in capital & reserves

	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Loss for the period	-	-	-	(12.0)	(12.0)
Shares issued	10.0	90.0	-	-	100.0
Share issue expenses charged to share premium account	-	(8.5)	-	-	(8.5)
Tax on equity settled share based payments	-	-	-	(0.4)	(0.4)
Actuarial gain on pension scheme, net of tax	-	-	-	1.0	1.0
Cash flow hedges: effective portion of changes in fair value, net of tax	-	-	(2.0)	-	(2.0)
Dividends	-	-	-	(6.5)	(6.5)
Balance at 31st October 2007	10.0	81.5	(2.0)	(17.9)	71.6
Loss for the year	-	-	-	(521.7)	(521.7)
Actuarial loss on pension scheme, net of tax	-	-	-	(2.1)	(2.1)
Cash flow hedges: effective portion of changes in fair value, net of tax	-	-	(25.2)	-	(25.2)
Change in fair value of available for sale financial assets	-	-	-	(2.2)	(2.2)
Balance at 31st October 2008	10.0	81.5	(27.2)	(543.9)	(479.6)

The aggregate current and deferred tax relating to items that are charged or credited to equity is £6.0m (2007 £0.7m).

Share Capital	2008	2007
	£m	£m
Authorised		
100,000,000 Ordinary shares of 10p each	<u>10.0</u>	<u>10.0</u>
Allotted and fully paid		
100,000,000 Ordinary shares of 10p each	<u>10.0</u>	<u>10.0</u>

At 31st October 2008 there were no options outstanding to subscribe for ordinary shares.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

21 ANALYSIS OF NET DEBT	Opening debt	Cash flow	Other non-cash movements	Closing Debt
	£m	£m	£m	£m
Cash at bank and in hand	(10.3)	(11.4)		(21.7)
Bank overdrafts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash & cash equivalents	(10.3)	(11.4)	-	(21.7)
Revolving credit facility drawings	408.4	132.5	11.6	552.5
Term loans	93.4	0.7	1.8	95.9
Working capital facility	(3.6)	-	2.5	(1.1)
Mezzanine loan	97.7	-	1.6	99.3
Series A loan notes	243.8	-	24.5	268.3
Other loan notes	18.8	(6.0)	-	12.8
Other loans	<u>17.3</u>	<u>-</u>	<u>0.8</u>	<u>18.1</u>
	865.5	115.8	42.8	1,024.1

Net debt comprises borrowings less cash at bank and in hand.

22 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Group operations are financed through a combination of shareholders' funds and net borrowings, comprising various bank and loan facilities. The revolving credit facility drawings, term loans, working capital facility and the mezzanine loan are secured by floating charges over the assets of the Group.

Fair values

Financial assets

The carrying amount of financial assets equates to their fair value. Financial assets of the Group at 31st October 2008 consisted of sterling cash deposits of £21.7m, with solicitors and on current account.

Financial liabilities

The fair value of the facilities and their related hedging instruments is determined with reference to observable market prices at the balance sheet date, or, where there is no price available, by discounting risk-adjusted expected future cash flows with application of current market interest rates.

The fair values of the facilities determined on this basis are:

	Carrying value 2008	Fair value 2008	Carrying value 2007	Fair value 2007
Revolving credit facility	£552.5m	£172.8m	£408.4m	£408.4m
Term loan	£56.2m	£17.4m	£54.3m	£54.3m
Second lien term loan	£39.7m	£1.2m	£39.1m	£39.1m
Mezzanine loan	£99.3m	£nil	£97.7m	£98.2m
Series A loan notes	£268.3m	£nil	£243.8m	£245.9m
Other loans	£29.8m	£29.8m	£32.5m	£32.5m
Total non-current and current interest bearing loans	£1,045.8m	£221.2m	£875.8m	£878.4m

The carrying amount of the remaining financial liabilities equates to their fair value.

Land purchased on extended payment terms

When land is purchased on extended payment terms, the Group initially records it at its fair value with a land creditor recorded for any outstanding monies based on its fair value assessment. Fair value is determined by using the effective interest method. The difference between the nominal value and the initial fair value is amortised over the period of the extended credit term and charged to finance costs, increasing the value of the land creditor such that at the date of maturity the land creditor equals the payment required.

Undrawn borrowing facilities

The Group had undrawn committed borrowing facilities of £221.8m at 31st October 2008 (2007 £370.4m). The repayment terms of the facilities are set out above. In addition there were undrawn guarantee and bonding facilities of £43.7m (2007 £39.3m).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or other counterparty fails to meet its contractual obligations.

Surplus cash is placed on deposit with banks with a minimum credit rating, or in accordance with group policy. The security and suitability of these banks is monitored by treasury on a regular basis.

Trade and other receivables are mainly amounts due from housing associations and commercial property sales. Management consider that the credit ratings of these various debtors are good and therefore credit risk is considered low.

The maximum exposure to credit risk at 31st October 2008 is represented by the carrying amount of each financial asset in the balance sheet. The Group has no substantial exposure to any individual third party.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Following the acquisition of Crest Nicholson Plc, Castle Topco Limited became significantly debt funded, resulting in a highly geared balance sheet. Because at the year end the company was not in default of its borrowings, all loans and facilities have been classified in accordance with their original maturities, with the exception of the Series A loan notes. These will not be part of the ongoing operational group and therefore have been classified as current because the company is being placed into solvent members' voluntary liquidation, as explained in note 1.

Details of the facilities which were still in existence at the balance sheet date are as shown below:

The revolving credit facility amounts to £745m which is repayable in 2013.

The term loan facilities amount to £115m of which £75m is repayable over the period to 2012 and the £40m second lien term loan is repayable in 2013.

The working capital facility amounts to £160m of which £50m is made available by way of an overdraft facility, this is repayable in 2013.

The mezzanine loan facility amounts to £100m and is repayable in 2014.

The series A loan notes amount to £230m, interest accumulates to capital and they are repayable, with accumulated interest, in 2014.

The other loan notes were issued in lieu of cash to the shareholders of Crest Nicholson PLC on its acquisition. Repayment is at the option of the holder up to 2012.

In March 2009, the Group successfully restructured its financing and reduced its liabilities by £630m. The revised facilities are designed to ensure the group will have sufficient funds available for its operations.

Cash flow forecasts are produced to monitor the expected cashflow requirements of the Group against the available facilities. The principle risks within these cashflows relate to achieving the level of sales volume and prices in line with current forecasts.

The following are the contractual maturities of the financial liabilities following the March 2009 restructuring, including effective interest rates and maturity, excluding the effect of netting agreements:

	Effective interest rate	Total	Earlier of contractual repricing and maturity		
			1-2 years	2-5 years	More than 5 years
Revolving credit facility	7.81%	40.0	20.0	20.0	-
Term loan	3.26%	493.5	-	493.5	-
Loan notes	5.25%	6.5	-	6.5	-
Other loans	6.75%	18.1	-	-	18.1
At 19th March 2009		558.1	20.0	520.0	18.1

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

The group is exposed to interest rate risk due to borrowing funds at floating interest rates. Interest rate swaps are used to manage this volatility. At the balance sheet date, the Group had fixed a substantial portion (£500 million) of its floating rate interest exposure at 5.5425% by the use of a financial instrument (swap). This swap runs for a period of 10 years and covers an exposure of £500 million until 31st May 2012 and a further £250 million until 31st May 2017. The remaining borrowing requirement is funded principally through a revolving credit facility which is subject to variable interest rates which remain unhedged. This policy remained in force until March 2009 when the loan was refinanced as part of the group restructuring and the hedge was cancelled.

The swap was deemed an effective cash flow hedge at the balance sheet date and was recognised at fair value of £27.7m. The fair value was the estimated amount that the Group would pay to terminate the swap at the balance sheet date, taking into account the current creditworthiness of the swap counterparties. The movement in the fair value during the year of £25.2m loss (2007: £2m) has been recognised directly in equity.

The interest rate profile of the financial liabilities of the Group was:

	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities carrying no interest	Total
Sterling				
2008	£m	£m	£m	£m
Bank borrowings, loan notes and long term creditors	281.7	764.1	157.0	1,202.8
2007				
Bank borrowings, loan notes and long term creditors	52.6	823.2	255.7	1,131.5

The floating rate financial liabilities are subject to interest rates referenced to LIBOR. These rates are for a period between one and twelve months.

For financial liabilities which have no interest payable but for which imputed interest is charged, consisting of land creditors, the weighted average period to maturity is 52 months (2007 20 months).

The maturity of the financial liabilities is:

	2008	2007
	£m	£m
Repayable within one year	390.8	228.9
Repayable between one and two years	30.2	36.0
Repayable between two and five years	647.1	63.8
Repayable after five years	134.7	802.8
	1,202.8	1,131.5

The interest rate profile of the Group's interest bearing financial liabilities at 31st October is as follows:

2008	Effective interest rate	Total	Earlier of contractual repricing and maturity			
			Less than 1 year	1-2 years	2-5 years	More than 5 years
Revolving credit facility	7.031%	356.8	-	-	356.8	-
Revolving credit facility	7.66%	195.7	-	-	195.7	-
Term loan	8.61%	56.2	16.7	14.9	24.6	-
Second lien term loan	9.81%	39.7	-	-	39.7	-
Working capital facility	7.00%	(1.1)	-	-	(1.1)	-
Mezzanine loan	5.54%	99.3	-	-	-	99.3
Series A loan notes	18.0%	268.3	268.3	-	-	-
Loan notes	5.25%	12.8	-	-	12.8	-
Other loans	6.75%	18.1	-	-	-	18.1
At 31st October 2008		1045.8	285.0	14.9	628.5	117.4

2007	Effective interest rate	Total	Earlier of contractual repricing and maturity			
			Less than 1 year	1-2 years	2-5 years	More than 5 years
Revolving credit facility	7.31%	388.3	-	-	-	388.3
Revolving credit facility	8.20%	20.1	20.1	-	-	-
Term loan	8.31%	54.3	5.4	10.9	38.0	-
Second lien term loan	9.81%	39.1	-	-	-	39.1
Working capital facility	8.25%	(3.6)	(3.6)	-	-	-
Mezzanine loan	14.00%	97.7	-	-	-	97.7
Series A loan notes	18.00%	243.8	-	-	-	243.8
Loan notes	5.27%	18.8	18.8	-	-	-
Other loans	8.00%	17.3	17.3	-	-	-
At 31 October 2007		875.8	58.0	10.9	38.0	768.9

The above profile excludes the effects of imputed interest on land payables as this represents an accounting transaction only and no interest is actually paid out of the Group.

Capital management

New operating policies and procedures were approved by the board as part of the financial restructuring agreed in March 2009. The group has also agreed new covenants with the lenders as part of the terms of the restructure.

The group's policies seek to match long term assets with long term finance and ensure that there is sufficient working capital to meet the groups commitments as they fall due, comply with the loan covenants and continue to sustain trading.

Management will continue to monitor actual cash flows against the approved cash flow forecast.

23 EMPLOYEE BENEFITS

RETIREMENT BENEFIT OBLIGATIONS

Defined contribution scheme

The Group (through Crest Nicholson PLC) operates a defined contribution scheme for new employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The service cost of this scheme for the period was £0.5m. At the balance sheet date there were no outstanding or prepaid contributions.

Defined benefit scheme

The Group (through Crest Nicholson PLC) operates a contributory defined benefit pension scheme which is closed to new entrants. The assets of the schemes are held separately from those of the Group, being invested in managed funds.

The most recent funding valuation of the scheme was carried out as at 1st February 2007 by a professionally qualified actuary using the projected unit method.

The assets of the defined benefit scheme have been calculated at fair value and the liabilities, at the balance sheet date under IAS 19 (Revised), using the Projected unit method and based on the following financial assumptions:

	31 October 2008	31 October 2007
	%pa	%pa
Discount rate	7.5%	5.7%
Salary escalation	4.2%	4.4%
Price inflation	3.2%	3.4%
Pension increases on benefit increasing in line with 5% or RPI if lower	2.8%	3.0%
Expected return on invested assets	7.5%	7.1%
Expected return on insurance annuity contracts	7.5%	5.7%

The expected return on assets reflects the weighted average return on the categories of scheme assets shown below.

Mortality assumptions are as follows:

- Mortality before retirement: PNMA 00 medium cohort (year of birth) 1.5% min imp pa, and PNFA 00 medium cohort (year of birth) 1.5% min imp pa; (2007 PNMA 00 medium cohort (year of birth) and PNFA 00 medium cohort (year of birth))
- Mortality after retirement: PNMA 00 medium cohort (year of birth) 1.5% min imp pa, and PNFA 00 medium cohort (year of birth) 1.5% min imp pa; (2007 PNMA 00 medium cohort (year of birth) and PNFA 00 medium cohort (year of birth))

The major categories of scheme assets as a percentage of the total fair value of Scheme assets are as follows:

	2008	2007
	%	%
Equities	60.1%	67.7%
Bonds	12.9%	12.0%
Property	2.8%	2.8%
Cash	11.6%	6.3%
Secured Annuities	12.6%	11.2%
Total	100.0%	100.0%

The amounts recognised in income are as follows:

	Year ended 31 st October 2008	Period ended 31 st October 2007
	£m	£m
Current service cost	1.8	1.2
Interest cost	6.7	3.2
Expected return on scheme assets	(6.9)	(3.4)
Total	1.6	1.0
Actuarial gain	(2.4)	(3.8)
Total defined benefit Scheme costs recognised in the year/period	(0.8)	(2.8)

The cumulative credit to the SORIE since the adoption of IAS 19 (Revised) is £6.4m

The actual return on plan assets is:

	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
Expected return on Scheme assets	6.9	3.4
Actuarial (loss)/gain on Scheme assets	(29.0)	0.1
Actual return on Scheme assets	<u>(22.1)</u>	<u>3.5</u>

The amounts included in the balance sheet arising from the Group's obligation in respect of its defined benefit scheme are as follows:

	2008 £m	2007 £m
Present value of defined benefit obligations	91.6	118.2
Fair value of Scheme assets	<u>(78.0)</u>	<u>(97.9)</u>
Defined benefit liability recognised in the balance sheet	<u>13.6</u>	<u>20.3</u>

No deferred tax asset has been recognised on the balance sheet in relation to the net pension obligation (2007 £5.7m).

Movements in the liability recognised on the balance sheet were as follows:

	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
At start of year/period	20.3	29.1
Total expense (as shown above)	(0.8)	(2.8)
Company contributions paid in the year/period	<u>(5.9)</u>	<u>(6.0)</u>
At end of year/period	<u>13.6</u>	<u>20.3</u>

Changes in the present value of the defined benefit obligation were as follows:

	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
At start of year/period	118.2	118.5
Current service cost	1.8	1.2
Interest cost	6.7	3.2
Employee contributions	0.5	0.3
Actuarial gains	(31.4)	(3.7)
Benefits paid	(3.4)	(1.1)
Scheme expenses	<u>(0.8)</u>	<u>(0.2)</u>
At end of year/period	<u>91.6</u>	<u>118.2</u>

Changes in the fair value of Scheme assets were as follows:

	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
At start of year/period	97.9	89.4
Expected return on Scheme assets	6.9	3.4
Actuarial (loss)/gain on Scheme assets	(29.0)	0.1
Employer contributions	5.9	6.0
Employee contributions	0.5	0.3
Benefits paid	(3.4)	(1.1)
Scheme expenses	(0.8)	(0.2)
At end of year/period	78.0	97.9

A history of experience adjustments is as follows:

	Year ended 31 st October 2008 £m	Period ended 31 st October 2007 £m
Present value of defined benefit obligation	91.6	118.2
Fair value of Scheme assets	78.0	97.9
Deficit in the Scheme	13.6	20.3
Experience adjustments on Scheme liabilities	31.4	3.7
Percentage of Scheme liabilities	34.3%	3.1%
Experience adjustments on Scheme assets	29.0	0.4
Percentage of Scheme assets	37.2%	0.4%

The expected employer contributions to the defined benefit scheme during 2009 are £5.9m.

24 CONTINGENT LIABILITIES

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business from which it is anticipated that no material liabilities will arise.

In November 2007, the Office of Fair Trading (OFT) informed Crest Nicholson PLC that it was investigating suspected bid-rigging by Pearce Construction (Midlands) Ltd a subsidiary of Pearce Group Plc. While Crest Nicholson PLC disposed of its interest in Pearce Group Plc in January 2003, most of the suspected bid-rigging activities preceded the date of disposal. Crest Nicholson PLC has responded to the OFT that it has no knowledge of any such suspected bid-rigging activities.

25 OPERATING LEASES

At 31st October 2008 total outstanding commitments for future minimum lease payments under non-cancellable operating leases were:

	2008	2007
	£m	£m
Land and buildings		
Within one year	4.0	4.4
Less: minimum sub-lease income	(1.7)	(1.7)
Between two and five years	14.3	15.4
Less: minimum sub-lease income	(4.7)	(4.3)
After five years	16.6	18.2
Less: minimum sub-lease income	(2.6)	(1.4)
	<u>25.9</u>	<u>30.6</u>
Other		
Within one year	0.8	0.5
Between two and five years	1.1	1.5
	<u>1.9</u>	<u>2.0</u>

26 RELATED PARTY TRANSACTIONS

The Group has entered into the following related party transactions:

(i) Transactions with joint ventures, which are disclosed in Note 11. The Group has provided book-keeping services to certain JVs which have been recharged at cost.

(ii) The company owns 100% of the issued share capital of Crest Nicholson PLC through its subsidiary, Castle Bidco Limited. The company is jointly controlled by Halifax Bank of Scotland and West Coast Capital, with the Bank of Scotland acting as lead banker to Castle Bidco Limited.

At 31st October, the interests of the Bank of Scotland in the financial instruments of the Group were as follows:

	2008	2007
	£m	£m
Revolving credit facility	62.9	48.0
Mezzanine loan	50.0	50.0
Second lien	5.5	-
Series A loan notes	216.2	185.6
	<u>334.6</u>	<u>283.6</u>

In addition, the Bank of Scotland provides £56.5m of the overall £110.0m bank guarantee facility. Guarantees of £34.1m had been given by the bank at 31st October 2008 (2007 £36.3m).

A fixed interest swap of £500m to 2012, then £250m to 2017, is also provided by the Bank of Scotland.

Borrowings of the Group are secured against the value of stock and work in progress.

(iii) Compensation of key management personnel is disclosed within note 5. Fees of £50,000 (2007 £300,000) to West Coast Capital and £300,000 (2007 £150,000) to Bank of Scotland were payable in the period in respect of director services provided to the company.

27 ACCOUNTING ESTIMATES & JUDGEMENTS

Management considers the key estimates and judgements made in the accounts to be related to the valuation of Goodwill, Brand intangibles, WIP and pension liabilities.

Goodwill

The carrying value of goodwill is substantially dependent on the ability of the Group to successfully progress its strategic land holdings. Changes to the planning regime could undermine current assumptions about the sites which are expected to be successfully developed.

Brand intangibles

The carrying value of brand intangibles has been assessed against the discounted cash flows arising. As a result of the severe downturn in the house building sector in 2008, it is the judgement of management that the recoverable amount of the brand intangible has reduced to zero.

Carrying value of land and work in progress

Inventories of land, work in progress and completed units are stated in the balance sheet at the lower of cost and net realisable value. Due to the nature of development activity and in particular, the length of the development cycle, the Group has to allocate site-wide development costs such as infrastructure between units being built and/or completed in the current year and those for future years. It also has to make estimates of the cost to complete such developments.

There is a degree of inherent uncertainty in making such estimates. The Group has established internal controls that are designed to ensure an effective assessment is made of inventory carrying values and the costs to complete developments.

Pensions

Management has employed the services of an actuary in setting these estimates; however, they recognise the risk that both expected investment returns and ultimate scheme payments may differ substantially from current forecasts.

28 POST BALANCE SHEET EVENTS

Financial restructuring

During the year, following the significant downturn in the housing market, the Castle Topco Limited Group ("the CTL Group") engaged in discussions with its shareholders and lenders with a view to restructuring the finances of the CTL Group.

On 19 March 2009, the High Court sanctioned a scheme of arrangement under the terms of which the debt burden of the CTL Group has been reduced by £630m and an additional £40m working capital facility has been made available. The process has involved a change to the equity and debt structure of the CTL Group, with the trading operations being sold to a new holding company outside the CTL Group, Crest Nicholson Holdings Limited. As explained in note 1, as a result Castle Topco Limited will be placed into a solvent members' voluntary liquidation.

The restructure has involved a significant debt for equity swap, which has resulted in the CTL Group's existing lenders owning 90% of the equity in the group headed by Crest Nicholson Holdings Limited ("the New Group"). The remaining 10% of the equity is owned by New Group management.

The New Group has senior bank facilities totalling £500 million, of which £500 million will be drawn on 23 March 2009 and a working capital facility of £40 million, which will be drawn as required. Of these amounts the senior facilities are due for repayment in March 2012 and any amounts drawn on the working capital facility of £40 million are repayable in two tranches of £20 million each in April 2010 and 2011.

The restructure will reduce the interest burden on the New Group to levels which are more manageable in the current trading environment. Financial covenants have also been revised to reflect a greater focus on cash generation rather than earnings. These are discussed further in note 1.

Closure of regional offices

After the balance sheet date, the CTL Group announced its intention to rationalise its regional network, reducing from six to three the number of regional business operations. These closures were effected through December 2008 and January 2009 at a cost of £2.0m.

COMPANY BALANCE SHEET*as at 31st October 2008*

	Note	2008	2007
		£m	£m
Fixed assets			
Investments	4	-	85.0
Current assets			
Debtors	5	0.4	13.0
Creditors: amounts falling due within one year			
Bank loans and overdrafts		(4.7)	-
Creditors	6	(2.0)	(0.3)
Net current (liabilities)/assets		(6.3)	12.7
Total assets less current liabilities		(6.3)	97.7
Net (liabilities)/assets		(6.3)	97.7
Capital and reserves			
Share capital	7	10.0	10.0
Share premium account	8	81.5	81.5
Profit and loss account	8	(97.8)	6.2
Equity shareholders' (deficit)/funds		(6.3)	97.7

Approved by the Board of Directors on 19 March

and signed on its behalf by:

S Stone

D P Darby
Directors

There are no recognised gains and losses other than the loss for the year.

NOTES TO THE COMPANY 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 financial statements.

Basis of preparation

The Company financial statements have been prepared under the historical cost accounting rules and in accordance with applicable UK Accounting Standards.

As part of the restructuring of the CTL group on 19 March 2009 described in note 28 of the group accounts, the directors have determined that the Company will in due course be placed into a solvent members' voluntary liquidation. For this reason, the financial statements of the Company have not been prepared on a going concern basis.

The accounting policies have been applied consistently in dealing with items which are considered material.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company, are publicly available.

The principal accounting policies adopted are set out below.

Group undertakings

Investments are included in the balance sheet at cost less any provision for permanent diminution in value.

Taxation

The charge for taxation is based on the profit 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.

Dividends

Dividends are recorded in the Group's financial statements in the period in which they are paid.

2 STAFF NUMBERS AND COSTS

The Company has no employees. (2007 nil).

3 DIVIDENDS

Details of the dividends recognised as distributions to equity shareholders in the period and those proposed after the balance sheet date are as shown in Note 8 of the Consolidated financial statements.

4 FIXED ASSET INVESTMENTS

	2008	2007
Shares in subsidiary undertakings - Cost less amounts written off	£m	£m
At start of year/period	85.0	-
Additions	-	85.0
Provision for diminution in value	(85.0)	-
At end of year/period	-	85.0

The subsidiary undertakings which are significant to the Group and traded during the period are shown in Note 11 of the Consolidated accounts.

5 DEBTORS

	2008	2007
	£m	£m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	-	12.8
Prepayments and accrued income	<u>0.4</u>	<u>0.2</u>
	<u>0.4</u>	<u>13.0</u>

6 CREDITORS

	2008	2007
	£m	£m
Amounts falling due within one year		
Other creditors	0.6	-
Accruals	<u>1.4</u>	<u>0.3</u>
	<u>2.0</u>	<u>0.3</u>

7 SHARE CAPITAL

	2008	2007
	£m	£m
Authorised		
100,000,000 Ordinary shares of 10p each	<u>10.0</u>	<u>10.0</u>
Allotted and fully paid		
100,000,000 Ordinary shares of 10p each	<u>10.0</u>	<u>10.0</u>

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Share Premium Account	Profit and Loss Account	Total
			£m	£m
At 1 st November 2007	10.0	81.5	6.2	97.7
Loss for the year	-	-	(104.0)	(104.0)
At 31st October 2008	<u>10.0</u>	<u>81.5</u>	<u>(97.8)</u>	<u>(6.3)</u>

9 CONTINGENT LIABILITIES

There are performance bonds and other engagements, including those in respect of joint venture partners, undertaken in the ordinary course of business from which it is anticipated that no material liabilities will arise.

In addition, the Company is required from time to time to act as surety for the performance by subsidiary undertakings of contracts entered into in the normal course of their business.

10 RELATED PARTIES

As 100% of the Company's voting rights are controlled within the Crest Nicholson group, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

11 CONTROLLING PARTY

The ultimate controlling parties are Uberior Ventures Limited and West Coast Capital Homes Limited.