

COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD

8 DECEMBER 2006 - 31 MARCH 2008

REGISTERED NUMBER 06023552

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COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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## COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

### DIRECTORS' REPORT

FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

The Directors present their annual report, together with the audited financial statements for the period ended 31 March 2008. The results are for the period from incorporation on 8 December 2006 to 31 March 2008.

This Directors' Report has been prepared in accordance with special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985.

### DIRECTORS

Set out below are the Directors who held office during the period and subsequently were

G S Cherry	(Appointed 19 February 2007)
R S Cherry	(Appointed 19 February 2007)
C P Crook	(Appointed 19 February 2007)
J C Hopkins	(Appointed 8 December 2006)
I S Hudson	(Appointed 8 December 2006)
N P Vaughan	(Appointed 8 December 2006)

Qualifying third party indemnity insurance was in place in respect of the Directors of the Company during the period and is in place subsequent to the period end.

### REVIEW OF BUSINESS AND FUTURE ACTIVITIES

From the date of incorporation to the 26 February 2007, the Company was a wholly-owned subsidiary of Annington Developments Limited. From 27 February 2007 the Company is a joint venture between Countryside Properties (Joint Ventures) Limited and Annington Developments Limited. Control of the Company is exercised jointly by the shareholders pursuant to a joint venture agreement dated 27 February 2007.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is that of residential property development. The Company is currently undertaking the development known as Ridgemont on land adjacent to Frith Lane, Mill Hill. To be developed in five phases, the development will eventually comprise 270 residential units for private sale and 90 affordable housing units for shared ownership and rental.

During the period the Company commenced the development of Phase 1 comprising 104 private residential and 30 affordable units. At the balance sheet date the Company has secured the forward sale of an initial 28 Phase 1 private residential units to Annington Rentals (No. 5) Limited.

# COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

## DIRECTORS' REPORT (continued) FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

### TRADING RESULTS

Operating loss before interest and taxation was £0 14m and the Company recorded a loss before tax of £1 38m

As at 31 March 2008 there was a deficit of shareholders' equity of £1 10m after taking into account any net tax relief available in the period. Loans attributable to the equity interests of Countryside Properties (Joint Ventures) Limited and Annington Developments Limited amount to £7 05m as at the balance sheet date. The Company has a committed £22 50m Revolving Development Loan Facility secured on the land and development work in progress owned by it. Bank borrowings at the balance sheet date amounted to £15 73m. Net cash inflow for the period was £0 18m.

### DIVIDENDS

The Directors do not recommend the payment of the dividend on the ordinary shares.

### SHARE CAPITAL

The share capital of the Company as at 31 March 2008 is set out in note 9 to the accounts on page 14.

### POLITICAL AND CHARITABLE DONATIONS

The Company made no political or charitable contributions during the period.

### AUDITORS

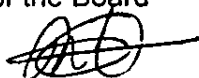
Each of the Directors at the date of approval of this report confirms that

- So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware,
- The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Deloitte & Touche LLP were appointed auditors of the Company on 27 February 2007 and have indicated their willingness to continue in office. In accordance with Section 487 (2) of the Companies Act 2006 they are deemed to be re-appointed.

By Order of the Board



T M Warren  
Secretary

23 September 2008

Countryside House  
The Drive  
Brentwood  
Essex  
CM13 3AT

## COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period In preparing those 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,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records which 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 the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

We have audited the financial statements of Countryside Annington (Mill Hill) Limited for the period ended 31 March 2008 which comprise the profit and loss account, the balance sheet, the cash flow statement, the reconciliation of movements in equity shareholders' deficit and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This Report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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 United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Accounting Standards (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.

COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED (continued)

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 31 March 2008 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information contained in the Directors' Report is consistent with the financial statements

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London, UK

*26 September 2008*

COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

	Notes	Period from 8 Dec 2006 to 31 Mar 2008 £
Administrative expenses		<u>(143,898)</u>
Loss on ordinary activities before interest and taxation	2	(143,898)
Net interest payable and similar charges	3	<u>(1,239,540)</u>
Loss on ordinary activities before taxation		(1,383,438)
Tax credit on loss on ordinary activities	4	<u>278,753</u>
Retained loss for the period		<u>(1,104,685)</u>

The Company's results all relate to continuing operations

There were no gains or losses recognised in the period other than those shown above,  
consequently a statement of total recognised gains and losses is not presented



COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

BALANCE SHEET  
AS AT 31 MARCH 2008

	Notes	2008 £
<b>CURRENT ASSETS</b>		
Stocks	5	54,244,774
Debtors	6	336,978
Cash at bank		<u>176,027</u>
		54,757,779
 CREDITORS amounts falling due within one year	 7	 <u>(11,790,567)</u>
 NET CURRENT ASSETS		 42,967,212
 CREDITORS amounts falling due after more than one year	 8	 <u>(44,070,897)</u>
 NET LIABILITIES		 <u>(1,103,685)</u>
 <b>CAPITAL AND RESERVES</b>		
Called up share capital	9	1,000
Profit and loss account	10	<u>(1,104,685)</u>
 EQUITY SHAREHOLDERS' DEFICIT		 <u>(1,103,685)</u>

These financial statements were approved by the Board of Directors on 23 September 2008 and were signed on its behalf by

G S Cherry  
Director

COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

CASH FLOW STATEMENT  
FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

	Note	£	Period from 8 Dec 2006 to 31 Mar 2008 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	11		(21,414,522)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		23,542	
Interest paid		(774,725)	
Issue costs of bank loans		(290,000)	
			<u>(1,041,183)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
NET CASH OUTFLOW BEFORE FINANCING			(22,455,705)
FINANCING			
Issue of ordinary share capital	9	1,000	
Increase in bank borrowings	12	15,970,732	
Increase in shareholder loans	12	6,660,000	
			<u>22,631,732</u>
NET CASH INFLOW FROM FINANCING			
INCREASE IN CASH IN THE PERIOD			<u>176,027</u>

COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT  
FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

	Period from 8 Dec 2006 to 31 Mar 2008 £
Issued share capital	1,000
Loss for the financial period	<u>(1,104,685)</u>
Net increase in shareholders' deficit	<u>(1,103,685)</u>
Equity shareholders' deficit carried forward	<u>(1,103,685)</u>

## COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

#### 1 ACCOUNTING POLICIES

The principal accounting policies of the Company which have been applied consistently in the current period are as follows

##### Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards and under the historical cost accounting rules.

##### Turnover

Turnover comprises sales of properties where building has been completed and the property has been legally transferred to the purchaser and is included at the value of the total consideration receivable by the Company with the exception of affordable housing units where income is recognised based on certified valuations of work done to date

##### Gross profit

Profit is taken on legal completion of each property sale, assuming all material aspects of the contract have been completed, except in the case of long-term building contracts where attributable profit is taken having regard to the proportion of the contract completed at the Balance Sheet date Profit is taken at the anticipated margin for each development

##### Interest payable and similar charges

Interest payable and similar charges are written off to the profit and loss account on an accruals basis

##### Financial instruments

The Company's policy in respect of derivative instruments is to consider their use to manage the Company's exposure to floating interest rates Where instruments are entered into as hedges they are designed as such on inception and accounted for as an adjustment to the underlying interest expense on an accruals basis over the life of the instruments It is not the Company's policy to trade actively in derivatives

##### Stocks

Stocks are stated at the lower of cost and estimated net realisable value Cost of stocks comprises land acquisition, construction and other development expenditure Estimated net realisable value is calculated based on projected future sale proceeds less costs to complete each project

Where, in the opinion of the Directors, the estimated net realisable value of any individual site is less than cost, then provision is made to reduce the carrying value of stock to estimated net realisable value Where estimated net realisable value exceeds cost, no account is taken of the increase until it is realised

##### Bank Loans

Bank loans are stated at the amount of the consideration received after deducting directly attributable and incremental costs associated with raising the finance These finance costs are amortised over the term of the facility

# COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

### 1 ACCOUNTING POLICIES (continued)

#### Taxation

The charge for taxation is based on the loss for the period and takes into account a credit for deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is provided on a non-discounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future, except that deferred tax assets are recognised only to the extent that there will be suitable taxable profits from which the future reversal of the relevant timing differences can be deducted

### 2 LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

The Company had no employees during the period. None of the Directors received any emoluments during the period.

The fee payable to the Company's auditors for the audit of the Company's financial statements was £16,000.

### 3 NET INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 8 Dec 2006 to 31 Mar 2008 £
Interest receivable	(23,542)
Interest payable on bank debt (note 8)	822,831
Interest payable on shareholders' loans (note 8)	387,890
Amortisation of loan costs (note 8)	52,361
	<hr/>
	1,239,540

COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

4 TAX ON LOSS ON ORDINARY ACTIVITIES

(i) Analysis of tax credit for the period

Period from  
8 Dec 2006 to  
31 Mar 2008  
£

CORPORATION TAX

Charge for the period

-

Current tax charge

-

DEFERRED TAX

Deferred tax credit for the period (note 6)

278,753

Tax credit for the period

278,753

(ii) Factors affecting the tax credit for the period

2008  
£

Loss on ordinary activities for the period

(1,383,438)

Loss on ordinary activities multiplied by the standard  
rate of corporation tax of 30 per cent

(415,031)

Disallowable expenditure deducted

116,367

Tax credit for the period (note 6)

298,664

Current tax charge for the period

-

(iii) Factors that may affect future tax charges

A deferred tax asset of £278,753 has been recognised in respect of timing differences relating to allowable losses carried forward. The amount of tax losses carried forward at 31 March 2008 is £1,383,438, the allowable proportion of which is £995,548. The asset is recognised as it is regarded as more likely than not that there will be sufficient profits arising in the immediate future from which the losses can be deducted. This is supported by evidence of the current forecast profitability and future cash flows generated by future unit sales as set out in the current 5-year business plan of the Company.

5 STOCKS

2008  
£

Development land and work-in-progress

54,244,774

COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

6 DEBTORS

	2008 £
Trade debtors	1,486
Other taxation and social security	56,739
Deferred tax (note 4)	<u>278,753</u>
	<u>336,978</u>

	2008 £
Deferred taxation	
At 8 December 2006	-
Provided in the period at 30%	298,664
Effect of future corporation tax rate change to 28%	<u>(19,911)</u>
At 31 March	<u>278,753</u>

7 CREDITORS amounts falling due within one year

	2008 £
Land creditor	6,500,000
Trade creditors	227,351
Accruals and deferred income	<u>5,063,216</u>
	<u>11,790,567</u>

8 CREDITORS amounts falling due after more than one year

	2008 £
Land creditor	21,289,914
Development bank loan	15,733,093
Subordinated shareholder loans	<u>7,047,890</u>
	<u>44,070,897</u>

The committed amount under the bank loan facility is £22,500,000 and is repayable on 30 April 2013. Interest payments are based on base rate plus applicable margin. The bank loan facility is secured on the development land and work-in-progress owned by the Company.

Subordinated shareholder loans are provided on a variable, unsecured basis and have no fixed repayment date. Interest is payable at a fixed rate of 7.86% per annum on the principal outstanding.

Issue costs of £290,000 have been capitalised against the loan balance and are being amortised over the life of the bank loan facility (note 12). The amortisation charge for the period was £52,361.

Land creditors includes £13,000,000 due within 1-2 years and £14,289,914 due within 2-5 years.

# COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

### 9 CALLED UP SHARE CAPITAL

	2008 £
Authorised, allotted, issued and fully paid	
500 Class "X" Ordinary shares of £1 00 each	500
500 Class "Y" Ordinary shares of £1 00 each	<u>500</u>
	<u>1,000</u>

The Company was incorporated on 8 December 2006 with an authorised share capital of 1,000 ordinary shares of £1 00 each. One thousand ordinary shares of £1 00 each were issued at par for cash on 8 December 2006.

On 27 February 2007 the share capital of the Company was restructured as follows.

- 500 of the existing issued ordinary shares of the Company were redesignated as "X" ordinary shares of £1 00 each
- 500 of the existing issued ordinary shares of the Company were redesignated as "Y" ordinary shares of £1 00 each

The rights of the holders of the "X" ordinary shares and "Y" ordinary shares are identical and rank pari passu.

### 10 RESERVES

	Share capital £	Profit & loss account £
The movements during the financial period were		
Issue of shares	1,000	-
Loss of the financial period	<u>-</u>	<u>(1,104,685)</u>
At 31 March 2008	<u>1,000</u>	<u>(1,104,685)</u>

### 11 CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period from 8 Dec 2006 to 31 Mar 2008 £
Reconciliation of operating loss to net cash outflow from operating activities	
Continuing operations	
Operating loss for the period	(143,898)
Increase in stock	(54,244,774)
Increase in debtors	(58,225)
Increase in creditors	<u>33,032,375</u>
Net cash outflow from operating activities	<u>(21,414,522)</u>



# COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

### 12 ANALYSIS OF CHANGES IN NET DEBT

	8 Dec 2006	Cash flow	Other non-cash changes	31 Mar 2008
	£	£	£	£
Cash in hand and at bank	-	176,027	-	176,027
Bank borrowings due after one year	-	(15,970,732)	237,639	(15,733,093)
Shareholder loans due after one year	-	(6,660,000)	(387,890)	(7,047,890)
	-	(22,454,705)	(150,251)	(22,604,956)

Non-cash changes represent the net of the bank facility issue costs of £290,000 less the cumulative amortisation charge of £52,361 per note 8 and shareholder loan interest accrued per note 3

### 13 INTEREST RATE RISK

The Company uses interest rate derivatives to protect from adverse movement in market rates. The Company policy is to hedge an average of 50% of core bank borrowings over a fixed term that is agreed with the bank.

Where applicable, the advance premium costs have been charged to the profit and loss account as incurred. The charge for the year is £Nil. The Company has entered into a variable interest rate collar on an amortising basis. The future cost to the Company of the instrument at fair value at 31 March 2008 is £204,671.

### 14 RELATED PARTIES

From the period of incorporation on 8 December 2006 to 26 February 2007 the Company was a wholly-owned subsidiary of Annington Developments Limited, a company incorporated in Great Britain. From 27 February 2007 the Company is a joint venture between Countryside Properties (Joint Ventures) Limited, a company incorporated in Great Britain and Annington Developments Limited, a company incorporated in Great Britain.

In addition to the subordinated shareholder loans at note 8, the Company has had the following transactions with related parties during the period:

	2008 £
Countryside Properties (Joint Ventures) Limited and associated companies	
Acquisition of development work-in-progress	1,034,337
Project management services	295,333
Marketing, legal and technical services	260,878
Interest payable on shareholder loans	193,945
	<u>1,784,493</u>

# COUNTRYSIDE ANNINGTON (MILL HILL) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE PERIOD 8 DECEMBER 2006 – 31 MARCH 2008

### 14 RELATED PARTIES (continued)

	2008 £
Annington Developments Limited and associated companies	
Acquisition of land	44,989,914
Technical services	7,666
Interest payable on shareholder loans	<u>193,945</u>
	<u>45,191,525</u>

	2008 £
Disposal of leasehold interest in 28 private units to Annington Rentals (No 5) Limited	<u>7,854,000</u>

At the balance sheet date £3,602,409 had been received by the Company under contract and is included within creditors amounts falling due within one year

As at the balance sheet date, the following balances were owed by the Company to related parties in addition to the unsecured shareholder loans disclosed at note 8

Countryside Properties (Joint Ventures) Limited and associated companies

	2008 £
Marketing, legal and technical services	<u>82,719</u>
Annington Developments Limited and associated companies	

	2008 £
Deferred land payments	<u>27,789,914</u>

### 15 ULTIMATE PARENT UNDERTAKING

The Company is jointly controlled by Countryside Properties (Joint Ventures) Limited and Annington Developments Limited by virtue of investments in Countryside Annington (Mill Hill) Limited under a joint venture agreement. The Directors regard Copthorn Holdings Limited and Le Grand Annington Limited respectively as the ultimate parent company undertakings (and the largest groups in which the joint venture is consolidated) of Countryside Properties (Joint Ventures) Limited and Annington Developments Limited. The smallest groups in which the joint venture is consolidated are Countryside Properties PLC Limited and Annington Holdings PLC. All companies are incorporated in Great Britain.