

Manor Kingdom Limited

Report and Financial statements

31 December 2006

Registered No SC121949

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Company information

Directors

Remo Dipre
David Gaffney
Devendra Gandhi
Angus MacLeod
Gerald Leith
Andrew Brown

Secretary

Burness LLP

Company number

SC121949

Registered office

50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Auditors

BDO Stoy Hayward LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Solicitors

Maclay Murray Spens LLP
151 St Vincent St
Glasgow
G2 5NJ

Business address

Regency House
Halbeath Industrial Estate
Dunfermline
KY11 7EG

Bankers

Bank of Scotland
Corporate Banking
Level 7
155 Bishopsgate
London
EC2M 3YB

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2006

Results and dividends

The profit for the year after taxation amounted to £3,326,000 (2005 loss of £1,390,000) The directors do not propose a final dividend

Principal activities, Review of business and Future developments

The company's principal activity during the year to 31 December 2006 continued to be that of building residential developments and contracting work

The profit and loss account as set out on page 7 shows a pre tax profit of £4.9m Turnover increased from £9.8m to £29.8m resulting in an increase in gross profit from £2.6m to £10.0m This has been largely achieved by an increase of 43% in units sold in the year Land sales contributed to gross profit

The growth of the company has been pleasing in the year but planning approval on some sites has been slower than anticipated leading to a slower than expected growth in the current year The company's strategy for the coming year is to develop new sites for which land opportunities are being explored The directors are confident that this will be reflected in the growth of 2007

Directors and their interests

The directors who served during the year and subsequently and their interest in the company are as stated below

Ordinary shares
2006 2005

Remo Dipre
David Gaffney
Devendra Gandhi
Angus MacLeod
Gerald Leitch
Andrew Brown

Remo Dipre and David Gaffney hold an interest in the share capital of Manor Kingdom Group Limited, the ultimate parent company Their interests in the share capital of that company are shown in its financial statements

Financial instruments

The company finances its operations through retained profits and floating rate bank overdrafts In addition, various financial instruments such as trade debtors and trade creditors arise directly from the company's operations The company does not enter into any hedging arrangements

The company is exposed to credit risk from credit sales It is company policy to assess the credit risk of new customers and to factor this information into future dealings with the customers At the balance sheet date there were no significant concentrations of credit risk The maximum exposure to credit risk is presented by the carrying amount of each financial asset in the balance sheet

The directors monitor the liquidity and cash flow risk of the company carefully The group headed by Manor Kingdom Holdings Limited has an agreed overdraft limit with the company's bankers to help manage fluctuations in cash flows of the group

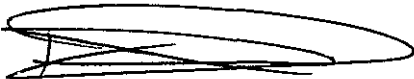
Directors' report

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



Devendra Gandhi
Director

Date 31/10/2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Manor Kingdom Limited

We have audited the financial statements of Manor Kingdom Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 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.

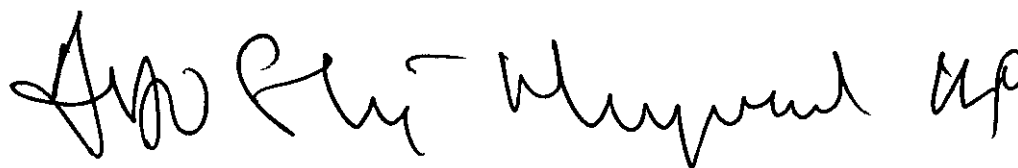
Independent auditors' report (Continued)

to the members of Manor Kingdom Limited

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 December 2006 of its profit for the year then ended,
- 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

A handwritten signature in black ink, appearing to read 'Andrew Haywood' followed by a stylized 'AP'.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

Gatwick

Date

31 October 2007

Profit and Loss Account

For the year ended 31 December 2006

	<i>Note</i>	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Turnover	2	29,804	9,842
Cost of sales		(19,739)	(7,185)
Gross profit		10,065	2,657
Administrative expenses		(3,084)	(2,340)
Other operating income		362	2,292
Operating profit	3	7,343	2,609
Interest receivable and other income		162	
Interest payable and similar charges	4	(2,506)	(1,382)
Profit on ordinary activities before taxation		4,999	1,227
Tax on profit on ordinary activities	5	(1,673)	163
Profit for the year		3,326	1,390

All amounts relate to continuing activities

The accompanying notes form an integral part of this profit and loss account

Statement of Total Recognised Gains and losses

For the year ended 31 December 2006

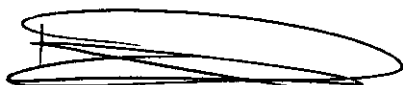
	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Profit for the financial year	3,326	1,390
Unrealised surplus on revaluation of freehold land and buildings	500	
	3,826	1,390

Balance Sheet

at 31 December 2006

		2006 £'000	2005 £'000
Fixed assets			
Tangible assets	7	1,356	876
Current assets			
Stocks	8	50,806	39,532
Debtors	9	2,136	28,462
Cash in hand		2	
		<u>52,944</u>	<u>67,994</u>
Creditors amounts falling due within one year	10	(50,045)	(65,006)
Net current assets/(liabilities)		2,899	2,988
Total assets less current assets/liabilities)		<u>4,255</u>	<u>3,864</u>
Creditors amounts falling due after more than one year	11	(67)	(3,502)
Net assets/(liabilities)		<u>4,188</u>	<u>362</u>
Capital and reserves			
Revaluation reserve	14	500	
Capital redemption reserve	14		
Profit and loss account	14	3,688	362
Shareholder's funds	14	<u>4,188</u>	<u>362</u>

The financial statements were approved by the Board and authorised for issue on 31st October 2007 and signed on its behalf by



Devendra Gandhi
Director

The accompany notes form an integral part of this balance sheet

Notes to the Financial statements

at 31 December 2006

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, being UK Generally Accepted Accounting Practice (UK GAAP)

Cash flow statement

The company has taken advantage of the exemption under FRS 1 "Cash Flow Statements" from preparing a cash flow statement as the company is a wholly owned subsidiary and forms part of consolidated financial statements

Revenue recognition

Sales of residential property

Revenue on the sale of residential property is recognised on receipt of cash

Sales of land

Profit is recognised on land sales when contracts are exchanged and all material conditions of the contract have been met

Contracting revenue

Revenue from contracting work is recognised in accordance with the stage of completion of contract activity at the balance sheet date, normally measured by surveys of work performed to date

Stock and work in progress

Stocks of raw materials, land, and property in the course of development are valued at the lower of cost and net realisable value. Cost comprises the cost of land, raw materials and development costs and overheads. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Progress payments are deducted from work in progress.

Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Tenant's improvements	10-15 years straight line
Motor vehicles	3-5 years straight line
Plant and machinery	5-10 years straight line
Fixtures, fittings and equipment	4-5 years straight line

Notes to the Financial statements

at 31 December 2006

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised by the directors if they consider it more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates defined contribution schemes for employees. Contributions to these schemes are charged to the profit and loss account when they are payable. The contributions are held by separately administered funds.

2. Turnover

Turnover represents the amounts receivable from the sale of properties in the UK. Turnover is attributable to the principal activity of the company, being the building of residential developments and contracting work.

3. Operating profit/(loss)

This is stated after charging/(crediting) the following amounts

	2006 £'000	2005 £'000
Depreciation of owned fixed assets	137	157
Depreciation of assets held under finance leases and hire purchase contracts	16	5
Profit on disposal of fixed assets		(8)
Operating lease rentals – motor vehicles	130	80
Auditors' remuneration for audit services	15	15
other services supplied under legislation	11	11
	<hr/>	<hr/>

Notes to the Financial statements

at 31 December 2006

4. Interest payable and similar charges

	2006 £'000	2005 £'000
Bank overdrafts	2,500	1,378
Lease finance charges and hire purchase interest	6	4
	<u>2,506</u>	<u>1,382</u>

5. Taxation

	2006 £'000	2005 £'000
<i>a) Tax on profit/(loss) on ordinary activities</i>		
<i>Current tax</i>		
Corporation Tax	845	
Payment for Group Relief	525	
Adjustments in respect of prior years		140
Total current tax (note 5b)	<u>1,370</u>	<u></u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	303	(303)
Tax on profit/(loss) on ordinary activities	<u>1,673</u>	<u>(163)</u>

b) Factors affecting current tax credit

The tax on the profit/(loss) on ordinary activities for the year is lower than (2005 lower than) the standard rate of corporation tax in the UK of 30%
The differences are reconciled below

	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities before tax	<u>4,999</u>	<u>1,227</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 % (2004 30%)	1,500	368
Disallowed expenses and non taxable income	15	11
Depreciation in excess of capital allowances	(9)	26
Prior year adjustment		
Losses arising in the year		
Utilisation of tax losses	(136)	(265)
Payment for Group relief	525	
Losses claimed from Group	(525)	
Total current tax (note 5a)	<u>1,370</u>	<u>140</u>

Notes to the Financial statements

at 31 December 2006

5. Taxation (continued)

c) *Deferred tax asset/(liability)*

	2006 £'000	2005 £'000
At 1 January 2006	303	
Profit and loss account	(303)	303
At 31 December 2006	<u> </u>	<u>303</u>

At 31 December 2006, a deferred tax asset of £258,000 (2005 nil) has been recognised of which £27,000 (2005 £20,000) relates to depreciation in excess of capital allowances and £76,000 (2005 nil) relates to tax losses carried forward. No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property was sold without it being possible to claim rollover relief. The total unprovided amount is £150,000. At present, it is not envisaged that any tax will become payable in the foreseeable future.

6. Employees

During the year all staff were paid by another group company

Directors' emoluments

	2006 £'000	2005 £'000
Remuneration and other emoluments	<u> </u>	<u> </u>
Pension contributions	<u> </u>	<u> </u>

	2006 Number	2005 Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u> </u>	<u> </u>

Notes to the Financial statements

at 31 December 2006

7. Tangible fixed assets

	<i>Freehold properties £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures, fittings and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Tenant's improve ments £'000</i>	<i>Total £'000</i>
Cost						
At 1 January 2006		101	383	55	1,019	1,558
Additions		104	29			133
Revaluation	500					500
Disposals		(41)	(86)		(15)	(142)
At 31 December 2006	500	164	326	55	1,004	2,049
Depreciation						
At 1 January 2006		78	268	18	318	682
Charge for the year		17	55	10	71	153
Disposals		(41)	(86)		(15)	(142)
At 31 December 2006		54	237	28	374	693
Net book value						
At 31 December 2006	500	110	89	27	630	1,356
At 31 December 2005		23	115	37	701	876

The freehold property held at 31 December 2006 was valued on 15 December 2006 by an external valuer, Graeme McGartland BSc (Hons) MRICS of Knight Frank LLP. The property was valued on the basis of Market Value in accordance with the Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors. If the freehold property had been included at its historical cost it would be held at £Nil (2005 £Nil).

Included above are assets held under finance leases or hire purchase contracts as follows

	<i>2006 Net book Value £'000</i>	<i>2006 Depreciation charge £'000</i>	<i>2005 Net book value £'000</i>	<i>2005 Depreciation charge £'000</i>
Motor vehicles	9	6	15	17

Notes to the Financial statements

at 31 December 2006

8. Stocks

	2006	2005
	£'000	£'000
Work in progress	50,481	39,203
Land		329
Stock	325	
	<u>50,806</u>	<u>39,532</u>

9. Debtors

	2006	2005
	£'000	£'000
Trade debtors	9	6
Amounts due from group undertakings	290	20,379
Amounts due from related parties	874	5,781
Other debtors		33
Prepayments & accrued income	963	85
VAT recoverable		1,875
Deferred tax asset		303
	<u>2,136</u>	<u>28,462</u>

All amounts shown under debtors fall due for payment within one year

10. Creditors amounts falling due within one year

	2006	2005
	£'000	£'000
Bank overdraft	37,652	50,481
Obligations under finance leases and hire purchase contracts	22	27
Trade creditors	2,243	2,415
Other creditors	3,702	3,724
Amounts owed to group undertakings	2,346	7,137
Corporation Tax	1,370	
Other taxes and social security costs	1,077	6
Accruals	1,633	1,216
	<u>50,045</u>	<u>65,006</u>

The company has provided a cross guarantee against the borrowings of other group companies. The total borrowings outstanding at 31 December 2006 was £81,618,000 (2005 £82,905,000)

Notes to the Financial statements

at 31 December 2006

11. Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Obligations under finance leases and hire purchase contracts (note 12)	67	
Other creditors		3,502
	<u>67</u>	<u>3,502</u>

12. Obligations under leases and hire purchase contracts

	2006 £'000	2005 £'000
Amounts payable		
Within one year	22	27
In more than one year but less than two years	67	
	<u>89</u>	<u>27</u>

13. Share capital

	2006 £	2005 £
Authorised 100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid 50 Ordinary shares of £1 each	50	50

14. Reconciliation of shareholders' funds and movements on reserves

	Share Capital £'000	Revaluation reserve £'000	Capital redemption £'000	Profit and loss account £'000	Total share holder's funds £'000
At 31 December 2005				362	362
Profit for the year				3,326	3,326
Revaluation in the year		500			500
At 31 December 2006		500		3,688	4,188

Both the share capital and capital redemption reserve were £50 at 31 December 2006 and 31 December 2005

Notes to the Financial statements

at 31 December 2006

15. Financial commitments

At the year end, the company was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows

	<i>Plant and machinery</i>	
	<i>2006</i>	<i>2005</i>
<i>Expiry date</i>	<i>£'000</i>	<i>£'000</i>
Within one year	14	14
Between one and two years	61	29
Between two and five years	32	35
	<u>107</u>	<u>78</u>

16. Related party transactions

The company has not disclosed details of transactions with other companies within the Manor Kingdom Group as it has taken advantage of the exemptions conferred by paragraph 3 of Financial Reporting Standard No 8 on the grounds that it is a wholly owned subsidiary

During the year, Manor Kingdom Ltd has accrued a management charge from Gladedale Holdings plc of £180,000 Remo Dipre is a director and major shareholder in Gladedale Holdings plc

Manor Kingdom Limited act as main contractors on sites owned by Glenthistle Ltd , Gladedale Urban Developments Ltd and Livingstone Stadia Management Ltd, companies in which Remo Dipre has an interest Amounts invoiced and accrued during the year were £4,336,000, £3,699,000 and £48,000 respectively The following balances were outstanding at the year end Glenthistle Ltd £429,000, Gladedale Urban Developments Ltd £389,000 and Livingstone Stadia Management Ltd £56,000

Bett Northern, a division of Bett Ltd, subsidiary of Gladedale Holdings plc, paid rent of £40,000 during the year for office space at Regency House

Bett Ltd purchased land in the year for £6,300,000

17. Ultimate parent undertaking

Manor Kingdom Holdings Limited is the immediate parent undertaking Manor Kingdom Group Limited is the ultimate parent undertaking and the parent of the smallest and largest group for which consolidated financial statements are prepared that include the results of the company Both Manor Kingdom Holdings Limited and Manor Kingdom Group Limited are companies registered in Scotland The registered office of the ultimate parent company is situated at 3 Glenfinlas St, Edinburgh, EH3 6AQ

18. Ultimate controlling party

The directors consider Remo Dipre to be the ultimate controlling party by virtue of his shareholding in Manor Kingdom Group Limited