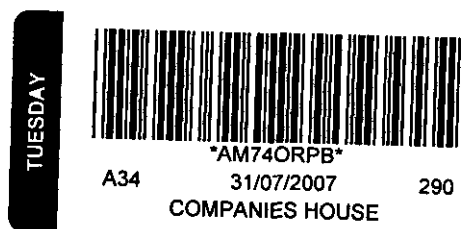


STRADA DEVELOPMENTS LIMITED

Company Number SC235707

ANNUAL REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2006



STRADA DEVELOPMENTS LIMITED

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STRADA DEVELOPMENTS LIMITED

DIRECTORS' REPORT

The Directors have the pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2006

Business Review and Principal Activities

Strada Developments is a joint venture between Taylor Woodrow Developments Limited and Gladedale (Northern) Limited (formerly Bett Homes). The site comprises around 17 acres, is located some 4 miles north of Edinburgh city centre and the site has detailed planning permission for 646 dwellings.

During the year the company generated a gross profit of £4,585,290 (2005: £3,706,857). After deducting administrative expenses and net interest payable the retained profit for the year is £2,542,851 (2005: £1,899,755). The Directors do not recommend the payment of a dividend. There have been no significant changes in the company's activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Key Performance Indicators

The directors monitor several key performance indicators on a monthly basis comparing actual figures with those budgeted. The main indicators include monitoring the volume of houses (units) sold on an annual basis, the average selling price of the units sold and the square footage this encompasses.

	2006	2005
• No of units sold (per annum)	125	92
• Average selling price (per unit)	£167k	£182.9k
• Gross margin	22 %	22%
• Total square footage sold	116,432	83,674
• Average square footage sold (per unit)	931	910
• Cash and borrowing levels (net)	£17.3m	£25.6m

Financial Risk management objectives and policies

The Company faces a number of risks and uncertainties in the course of its day to day operations. By effectively identifying and managing these risks the company is able to improve its performance. The Company uses various financial instruments and these include loans, cash, equity investments as well as various items such as trade debtors and trade creditors that arise directly from operations.

The main risks arising from the company's financial instruments include market risk, credit risk and liquidity risk. The directors review and agree policies for managing those risks and they are summarised below.

Market Risk

Market risks affecting the Company can be split into two types of risk, price risk and interest rate risk.

Price Risk

The Company's exposure to price risk consists mainly of movements in the selling price of residential properties.

Interest Rate Risk

The Company finances operations through a mixture of retained profits, bank borrowings and shareholder loans. The Company is therefore exposed to interest rate fluctuations on its borrowings.

Liquidity Risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The maturity of borrowings is set out in note 10 to the financial statements.

Credit Risk

The principal credit risk arises from trade debtors. In order to manage the credit risk, aged debtors are monitored on a monthly basis and outstanding amounts chased by our solicitors regularly.

STRADA DEVELOPMENTS LIMITED

The Joint Venture partners are committed to communicating and reviewing the operations to ensure best practise is maintained. Methods include regular board meetings, team briefings and opportunities to ensure senior management meet face to face

Sustainability and the environment

Taylor Woodrow and Gladedale are committed to continuous improvement in the design and construction of new homes and enhancing the built environment for people who live in and near its communities

Directors

The following persons held office as directors during the year under review or in the post year end period to the date of signing this report

David Knight

Alexander Anderson Resigned 24 March 2006

David Gaffney

Richard Phillips Resigned 31 December 2006

Steven Fowler

James Kirkpatrick Resigned 7 March 2007

Keith Douglas Appointed 24 March 2006

Joanne Bell Appointed 12 February 2007

Jim McGowan Appointed 7 March 2007

AUDITORS

Section 234ZA of the Companies Act 1985

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

Re appointment of Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and an elective resolution dispensing with the need to re appoint auditors on an annual basis has been passed

Approved by the Board of Directors on 15th June 2007

Signed on behalf of the Board



C De Feo
Secretary

STRADA DEVELOPMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STRADA DEVELOPMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRADA DEVELOPMENTS LIMITED

We have audited the financial statements of Strada Developments Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 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

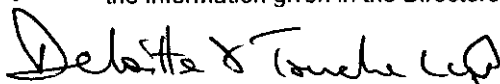
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

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 and 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.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, UK

28 July 2007

STRADA DEVELOPMENTS LIMITED

Profit and loss account for the year to 31 December 2006

	Note	2006 £	2005 £
Turnover		20,808,783	16,825,306
Cost of sales		(16,223,493)	(13,118,449)
Gross profit		4,585,290	3,706,857
Administrative expenses		(15,472)	(52,726)
Operating profit		4,569,818	3,654,131
Net interest payable	3	(937,174)	(940,197)
Profit on ordinary activities before taxation	4	3,632,644	2,713,934
Taxation	6	(1,089,793)	(814,180)
Profit for the financial year		2,542,851	1,899,754

All results reported above for both the current and previous year relate solely to continuing operations

The Company had no recognised gains or losses in either period other than the results reported above

STRADA DEVELOPMENTS LIMITED

Reconciliation of Movement in Shareholders' Funds for the year to 31 December 2006

	2006 £	2005 £
Opening shareholders' funds	4,086,672	2,186,917
Profit for the financial year	2,542,851	1,899,755
Closing shareholders' funds	6,629,523	4,086,672

STRADA DEVELOPMENTS LIMITED

Balance sheet at 31 December 2006

	Note	2006 £	2005 £
Current assets			
Stocks	7	25,948,251	30,895,358
Debtors	8	727,787	127,405
Cash at bank and in hand		1,876,506	4,137,455
		28,552,544	35,160,218
Creditors amounts falling due within one year	9	(2,783,947)	(1,329,446)
Net current assets		25,768,597	33,830,772
Creditors amounts falling due after one year	10	(19,139,074)	(29,744,100)
Net assets		6,629,523	4,086,672
Capital and Reserves			
Share capital	11	1,000	1,000
Profit and loss account	12	6,628,523	4,085,672
Total shareholders' funds		6,629,523	4,086,672

The financial statements were approved by the Board of directors and authorised for issue on 15th June 2007.

They were signed on its behalf by



David Knight
Director

STRADA DEVELOPMENTS LIMITED

Cash flow statement for the year to 31 December 2006

	Note	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	13	10,088,355	(968,307)
Returns on investments and servicing of finance			
Net interest payable		(940,786)	(855,349)
Net cash outflow from returns on investments and servicing of finance		(940,786)	(855,349)
Taxation		(803,492)	(797,750)
Financing			
Repayment of loans to shareholder		(10,605,026)	6,099,642
Net cash inflow from financing		(10,605,026)	6,099,642
(Decrease)/increase in cash		(2,260,949)	3,478,236

Reconciliation of net cash flow to movement in net debt

	Note	2006 £	2005 £
(Decrease)/increase in cash		(2,260,949)	3,478,236
Cash flow from decrease/(increase) in debt and finance leases		10,605,026	(6,099,642)
Change in net debt resulting from cash flows		8,344,077	(2,621,406)
Movement in debt in year	14	8,344,077	(2,621,406)
Net debt at beginning of year		(25,606,645)	(22,985,239)
Net debt at end of year		(17,262,568)	(25,606,645)

STRADA DEVELOPMENTS LIMITED

Notes to the financial statements for the year to 31 December 2006

1 Accounting policies

The following accounting policies have been used consistently unless otherwise stated in dealing with items which are considered material

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, under the historical cost convention

Turnover

Turnover arises principally from the sale of residential properties, recognised on legal completion, but excludes the subsequent sale of properties accepted in part exchange

Profit recognition

Profit arising from the sale of residential properties is taken on legal completion. Residential development profit is calculated based on total expected revenue less total expected costs

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

In March 2007, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation is expected to be substantially enacted in July 2007. If the change is enacted deferred tax assets and liabilities, currently stated at 30% of the temporary differences, will be restated at 28% of those amounts. In addition the effective tax rate for the period to 31 December 2008 is expected to reduce accordingly

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

Interest payable

Interest payable is written off as incurred

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost represents direct costs plus site and selling overheads

STRADA DEVELOPMENTS LIMITED

Notes to the financial statements for the year to 31 December 2006

2 Segmental analysis

All results are attributable to one continuing activity and all trading was in the United Kingdom

3 Interest payable and similar charges

	2006 £	2005 £
Interest receivable on bank loans and overdrafts	111,242	63,304
Interest payable on bank loans and overdrafts	(1,048,416)	(1,003,501)
	(937,174)	(940,197)

£524,208 of interest payable is due to Taylor Woodrow Developments Limited (2005 £501,750) and £524,208 is due to Bank of Scotland (2005 £501,750)

4 Profit on ordinary activities before taxation

	2006 £	2005 £
Profit on ordinary activities before taxation is after charging		
Auditors remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	5,000	5,000
Other services pursuant to legislation		
Tax services	2,442	3,000

5 Staff costs

The company had no employees other than its directors (2005 none)

The directors received no remuneration in respect of their services to the Company (2005 £nil)

6. Taxation

		2006 £	2005 £
Current tax			
UK corporation tax	Current year	(1,089,793)	(814,180)
	Prior year		
		(1,089,793)	(814,180)
Deferred tax			
UK deferred tax	Current year		
	Prior year		
		(1,089,793)	(814,180)

STRADA DEVELOPMENTS LIMITED

Notes to the financial statements for the year to 31 December 2006

6 Tax continued

The charge for the year can be reconciled to profit before tax as follows

	2006 £	2005 £
Profit before tax	3,632,644	2,713,935
Tax at the UK corporation tax rate of 30% (2005 30%)	(1,089,793)	(814,180)
Tax expense for the year	(1,089,793)	(814,180)

7 Stocks

	2006 £	2005 £
Land	9,430,572	12,620,981
Development and construction costs	16,240,816	18,027,337
Part Exchange Stock	276,863	247,040
	25,948,251	30,895,358

8 Debtors

	2006 £	2005 £
Trade debtors	676,722	97,915
Other debtors	51,065	29,490
	727,787	127,405

STRADA DEVELOPMENTS LIMITED

Notes to the financial statements for the year to 31 December 2006

9 Creditors amounts falling due within one year

	2006 £	2005 £
Trade creditors	79,026	53,605
Other creditors and accruals	2,055,541	912,431
Corporation tax	649,380	363,410
	2,783,947	1,329,446

Included within 'other creditors and accruals' is an amount of £1,761,413 (2005 £745,597) that relates to the Taylor Woodrow Construction Limited Sub Contractor retention for the main build contract

10 Creditors amounts falling due after one year

	2006 £	2005 £
Bank loan	9,998,192	20,603,218
Loan due to shareholder	9,140,882	9,140,882
	19,139,074	29,744,100

The above creditors represent amounts owed in respect of bank loans and shareholder loans

The balances due are more than two years but not more than five years. The bank balance of £9.9m is interest bearing however the shareholder loan of £9.1m are non interest bearing equity funding loans

Interest on the interest bearing loans is treated as a finance cost and is charged to the profit and loss account. Interest is charged at 1.1% (2005 1.1%) above base rate.

The Bank of Scotland and Taylor Woodrow Developments Limited interest bearing loans have floating charges dated 12 August 2003 over all property and assets present and future of the company, plus charges dated 29 August 2003 over the former East Pilton works in Edinburgh. The Gladedale (Northern) Limited (formerly Bett Homes Limited) and Taylor Woodrow Developments Limited non interest bearing loan is unsecured.

11 Share capital

	2006 £	2005 £
Authorised		
500 'B' ordinary shares of 100p each	500	500
500 'B' ordinary shares of 100p each	500	500
	1,000	1,000
Issued and fully paid		
500 'A' ordinary shares of 100p each	500	500
500 'B' ordinary shares of 100p each	500	500
	1,000	1,000

STRADA DEVELOPMENTS LIMITED

Notes to the financial statements for the year to 31 December 2006

11 Share capital continued

During the year, there were no movements in the Issued Share Capital. The ordinary 'A' shares of the company are owned by Gladedale (Northern) Limited (formerly Bett Homes Limited) and the ordinary 'B' shares of the company are owned by Taylor Woodrow Developments Limited.

Both of the above classes of share confer the right to appoint three directors, equal rights with respect to dividends and rank equally in the event of winding up.

12 Profit and loss account

	£
At 1 January 2006	4,085,672
Profit for the financial year	2,542,851
At 31 December 2006	6,628,523

13 Net cash inflow/(outflow) from operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	4,569,818	3,654,131
Decrease / (increase) in stocks other than residential land	4,947,107	(3,789,707)
Increase in debtors	(600,382)	(60,144)
Increase / (decrease) in creditors	1,171,812	(772,587)
Net cash inflow/(outflow) from operating activities	10,088,355	(968,307)

14 Analysis of net debt

	Cash at bank and in hand	Debt due within one year	Debt due after one year	Total £
At 1 January 2006	4,137,455		(29,744,100)	(25,606,645)
Cash flow	(2,260,949)		10,605,026	8,344,077
At 31 December 2006	1,876,506		(19,139,074)	(17,262,568)

STRADA DEVELOPMENTS LIMITED

Notes on the financial statements for the year to 31 December 2006

15 Related party transactions

During the year, the company incurred expenditure for professional fees by its shareholders and their fellow group companies as follows

	2006 £	2005 £
Taylor Woodrow Developments Limited		
Management fees	51,363	50,000
	<u>51,363</u>	<u>50,000</u>

Under the terms of the joint venture agreement, Taylor Woodrow Developments match specific fees incurred by Bank of Scotland

During the year, payments were made to Taylor Woodrow Construction Limited for certificated works on the project. These amounted to £10,192,945 (2005 £15,587,007) and have been included in the stock balance (note 7). A proportion of these costs have been taken to cost of sales during the year. There is an accrual to Taylor Woodrow Construction Limited at the year end amounting to £1,761,413 (2005 £745,597) the value of which is included within the stock balance (note 7).

16 Ultimate controlling party

The Company is a joint venture between Taylor Woodrow Developments Limited and Gladedale (Northern) Limited (formerly Bett Homes Limited). Both Companies are incorporated in Great Britain.