CREST NICHOLSON (BATH) HOLDINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31st OCTOBER 2008

Registered No. 5235961

CREST NICHOLSON (BATH) HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and Balance Sheet for the year ended 31st October 2008.

Business Review
The Company has not traded in this period or in the preceding period.

Directors
The Directors during the period were:

Mr P Callcutt	
Mr J A Cheetham	(resigned 8th August 2008)
Mr D P Darby	
Mr N C Tinker	
Mr S Stone	
Mr D O Clark	(resigned 28th January 2009)
Ms D A Aplin	
Mr I J Plumley	(resigned 11th July 2008)
Mr P J Bergin	(appointed 8th April 2008)

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

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 KMaguire
Secretary

Crest House
Pyrcroft Road
Chertsey
Surrey KT16 9GN

16 APRIL 2009.

CREST NICHOLSON (BATH) HOLDINGS LIMITED

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 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).
The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:
• select suitable accounting policies and then apply them consistently;
• make 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; 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 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 company and to prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CREST NICHOLSON (BATH) HOLDINGS LIMITED

We have audited the financial statements of Crest Nicholson (Bath) Holdings Limited for the year ended 31 October 2008 which comprise the Profit and Loss account, the Balance and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the 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 2.

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 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2008 and of its loss 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

16 April 2009

CREST NICHOLSON (BATH) HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st OCTOBER 2008

	Year ended 31st October 2008 £'000	Year ended 31st October 2007 £'000
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Other operating income	-	-
Administrative expenses	(2,090)	-
Operating loss – continuing operations	(2,090)	-
Net interest payable	-	-
Loss on ordinary activities before taxation	(2,090)	-
Taxation	-	-
Loss for the financial period	(2,090)	-

There are no recognised gains or losses other than those shown above.

There is no material difference between the loss for the period as shown above and that based on historic costs.

BALANCE SHEET AS AT 31st OCTOBER 2008

	Notes	2008	2007
		£'000	£'000
Fixed assets			
Investments	4	1,910	750
Current liabilities			
Creditors - amounts owed to Group undertakings		(4,000)	(750)
Total net (liabilities)/assets		(2,090)	-
Capital and reserves			
Share capital (£100)	6	-	-
Profit & loss account	5	(2,090)	-
		(2,090)	-

Approved by the Board of Directors and signed on its behalf on 16 April 2009 by:

D P Darby
Director

CREST NICHOLSON (BATH) HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) Basis of Accounting
The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Going concern

The financial statements have been prepared on a going concern basis, despite having net liabilities, as Castle Bidco Limited, a group company, has confirmed that it will continue to support the company and enable it to meet its liabilities as they fall due for the foreseeable future.

Since the restructuring of the Castle Topco Limited group, which took place on 19 March 2009 and is described in note 8, 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, of which £500 million was 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.

Part of the terms of the bank facilities are that each company within the New Group is a guarantor of these bank facilities and hence the going concern status of each group company is closely allied to the going concern status of the New Group.

As part of the restructuring, the Directors prepared financial projections for the period to maturity of the senior facilities. The New Group is subject to risks and uncertainties in the current economic environment. The key factors which can affect the financial performance of the business include the availability of mortgage finance to the housing market, house price deflation, the resultant level of house sales and future build costs. The directors have assessed fully the impact of these variables and any changes in them on the financial performance of the New Group.

In addition, as part of the ongoing management of the business, the trading performance is monitored against the financial projections with a regular assessment of performance against financial covenants contained in the bank facilities agreement being made. On the basis of the latest review the New Group is capable of operating within the bank facilities currently available and meeting its covenant tests.

The Directors have therefore concluded, after making enquiries and considering the uncertainties described above, that there is a reasonable expectation that the Company 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 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.

(b) Cash flow
Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

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

(d) Related parties
Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with Crest Nicholson Group Limited and its subsidiary undertakings on the grounds that it is a wholly owned subsidiary undertaking of Crest Nicholson Group Limited.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

2. Directors and employees
The Company had no employees during the year (2007: Nil).
No emoluments were paid to Directors during the year (2007: £Nil).

3. Taxation

	2008	2007
	£'000	£'000
UK Corporation tax on loss for the period at 28.8%/30%	-	-
Tax on loss on ordinary activities	-	-

The current tax charge for the period is higher than (2007 equal to) the standard rate of UK corporation tax of 28.8%. The difference is explained below:

Loss on ordinary activities before tax	(2,090)	-
Tax on loss on ordinary activities at 28.8% (2007 30.0%)	602	-
Effects of:		
Investment impairment	(602)	-
Total current tax	-	-

4. Investments

	Shares in subsidiary undertakings
Cost less amounts written off	£000
At 31 October 2007	750
Additions	3,250
Provision for impairment	(2,090)
At 31 October 2008	1,910

The company owns 100% of the issued share capital of the following companies:

Crest Nicholson Residential (London) Limited	Dormant
Crest Nicholson (Bath Western) Limited	Dormant

Both companies are incorporated in Great Britain and registered in England and Wales but have not traded. In the opinion of the Directors the net realisable value of this investment is not less than the amount stated in these accounts.

5. Reconciliation of movements in shareholders' funds

	2008	2007
	£'000	£'000
Loss for the financial period	(2,090)	-
Opening shareholders' funds	-	-

Closing shareholders' deficit	(2,090)	-

6. Share capital

	£	£
Authorised, allotted, called up & fully paid – Ordinary Shares of £1 each	100	100

7. Parent Company and related parties

The immediate parent company is Crest Nicholson PLC, which is incorporated in Great Britain and registered in England and Wales.

The ultimate parent company at 31 October 2008 was Castle Topco Limited (formerly Crest Nicholson Group Limited) which is incorporated in Great Britain and registered in England and Wales. Copies of its Group accounts can be obtained from the Company's registered office which is shown in the Directors' Report.

The ultimate controlling parties on 31 October 2008 were Uberior Ventures Limited and West Coast Capital Homes Limited. See note 8 for details of post year end change in ownership.

Under Financial Reporting Standard 8 the Company is exempt from the requirement to disclose related party transactions with Castle Topco Limited and its subsidiary undertakings on the grounds that it is a wholly owned subsidiary undertaking of Castle Topco Limited.

8. 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 a result Castle Topco Limited will be placed into a solvent members' voluntary liquidation in due course.

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 was 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.