

River7 Homes Limited

**Directors' report and financial
statements for the 16 months ended
30 April 2010**

Registered number 06397071

MONDAY



AZA9BS1W

A32

28/02/2011

247

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of River7 Homes Limited	3
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their report and the audited financial statements for the 16 months ended 30 April 2010

Principal activities and business review

The company's principal activity is the construction and sale of residential properties

The results for the period are set out on page 5

Change of accounting reference date

During the year the company changed the accounting reference date from 31 December to 30 April in order to align with its parent undertaking. Accordingly, these financial statements cover the 16 month period from 1 January 2009 to 30 April 2010. The comparative period is 15 months from incorporation to 31 December 2008.

Proposed dividend

The directors do not recommend the payment of a dividend for the period (*15 months ended 2008 £Nil*)

Directors

The directors who held office during the period were as follows

SJ Rodden
MJ Taylor
JS Taylor

Ultimate parent and undertaking

The company is a wholly owned subsidiary of River7 Limited. The ultimate parent undertaking is Aurelian Property Finance Limited.

Political and Charitable contributions

The company made no political or charitable contributions during either period.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish the company's auditors are aware of such information.

Auditors

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

By order of the board



SJ Rodden
Company Secretary

Prory House
Prory Street
Usk
Monmouthshire
NP15 1BJ

28 February 2011

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.



KPMG LLP

3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

Independent auditors' report to the members of River7 Homes Limited

We have audited the financial statements of River7 Homes Limited for the 16 months ended 30 April 2010 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2010 and of its loss for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The reliance on the parent undertaking, Aurelian Property Finance Limited, to provide continued financial support, along with the other matters in note 1, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Independent auditors' report to the members of River7 Homes Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

E.Holiday
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

28th February 2011

Profit and loss account
for the 16 months ended 30 April 2010

	<i>Note</i>	16 months ended 30 April 2010	15 months ended 31 December 2008
		£000	£000
Turnover	<i>3</i>	8,827	4,776
Cost of sales (including impairment of work in progress of £7,283,000 (2008 £9,199,000))	<i>4</i>	(16,492)	(16,238)
Gross loss		(7,665)	(11,462)
Administrative expenses (including goodwill written off of £683 000 in 2008)		(73)	(887)
Other operating income		13	-
Operating loss	<i>5</i>	(7,725)	(12,349)
Interest payable and similar charges	<i>6</i>	(16)	(43)
Loss on ordinary activities before taxation		(7,741)	(12 392)
Taxation on loss on ordinary activities	<i>7</i>	-	-
Loss for the financial year	<i>14</i>	(7,741)	(12,392)

The above results represent the total recognised gains and losses for the period and relate entirely to continuing operations

Balance sheet
at 30 April 2010

	<i>Note</i>	30 April 2010 £000	31 December 2008 £000
Current assets			
Stock	8	5,571	20,717
Debtors	9	7,939	1,167
Cash at bank		51	-
		<hr/> 13,561	<hr/> 21,884
Creditors, amounts falling due within one year	10	(72)	(489)
		<hr/> 13,489	<hr/> 21,395
Net current assets			
Creditors, amounts falling due after more than one year	11	(98)	(263)
		<hr/> 13,391	<hr/> 21,132
Net assets			
Capital and reserves			
Share capital	13	33,524	33,524
Profit and loss account – accumulated losses	14	(20,133)	(12,392)
		<hr/> 13,391	<hr/> 21,132
Shareholders' funds – equity	15	<hr/> 13,391	<hr/> 21,132

These financial statements were approved by the board of directors on 28 February 2011 and were signed on its behalf by



S Rodden

Director

Registered number 06397071

Notes

(forming part of the 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 company's financial statements

Basis of preparation

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

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities where 100% of the voting rights are held within the group

Going concern

The company is dependent for its business and working capital requirements on its parent undertaking, Aurelian Property Finance Limited ("APF"). Furthermore, the work in progress balances of River7 Homes Limited, which at 30 April 2010 amounted to £5,571,000, have been used as security for the borrowings of APF

APF has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Accordingly, the financial statements have been prepared on a going concern basis. However, as with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

However, due to difficult trading conditions associated with the weak UK housing market, APF suffered a loss for the financial year ended 30 April 2010 of £13.7m, following the impairment of work in progress and the land bank of £9.7m. As a result of this loss, at 30 April 2010 APF had net liabilities of £35.5m and net current liabilities of £27.2m.

During the year APF was funded by means of a £43m revolving credit facility from Lloyds Banking Group ("LBG"), £0.6m of loans from other lenders that are expected to be repaid via the sale of certain properties, over which the lenders have a first legal charge, and £7.7m of directors' loan notes due in 2021.

As a result of the significant fall in residential property values since 2007 APF's ability to repay the LBG facility has been adversely impacted. The fall in asset values has resulted in there being insufficient security to support the current level of borrowing. In addition, the credit facility with LBG expired on 30 April 2010.

On 22 February 2011, the directors of APF secured a new agreement with LBG, which comprises a facility of £47.4m, expiring on 30 September 2011, and a plan to restructure the company's debt in the medium term.

The terms and conditions of the revised facility agreement include LBG having fixed and floating charge security and the subordination of all directors' loans. The key banking covenant within the revised facility is the ability of the group to meet the cash flow forecasts agreed with its lenders.

In respect of the medium term debt restructuring, LBG has agreed to a debt waiver (via a conditional settlement deed) over sufficient of the loan to enable repayment of the remaining loans provided by LBG through the sale of the group's development stock and land bank. Under this agreement certain stock will be developed and sold as completed units, certain other developments will be marketed in their current state and other sites will remain undeveloped in the short term.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

The revised facility expires on 30 September 2011 and the directors intend to begin negotiations for its extension in June 2011, in line with the expectations of the group's bankers. The cash flow forecasts agreed with the bank as part of the recent facility negotiations extend to June 2012 and, in addition, the debt restructuring agreement described above covers the period up to March 2013. Consequently, and in conjunction with their regular communication with the group's lenders, at the date of approval of these financial statements the directors believe that the existing facility will be extended when it expires, on the assumption that the group will continue to achieve its cash flow forecasts, which is dependent on operational and property market performance.

The intention of both the group and its lenders is that successful fulfilment of the group's plans as described above will allow it to achieve final settlement of its debts with LBG via the development and sale of its existing stock. In the longer term, the directors intend to seek new financing to continue the group's activities.

Accordingly, the directors have concluded that the bank's ongoing support for the current strategy of building through certain of the existing sites whilst actively marketing certain other sites, will enable APF to continue in operational existence for the foreseeable future and for at least twelve months from the signing of their financial statements for the year ended 30 April 2010. For this reason, they consider it appropriate to continue to adopt the going concern basis of preparation.

However, there can be no certainty in relation to these matters and, accordingly, the matters referred to above represent a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Therefore, they may be unable to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the group and the parent company were unable to continue as a going concern.

As noted above, the work in progress balances of River7 Homes Limited have been used by APF as security for APF's borrowings. In the event that APF's loans were called in by the bank, this contingent liability would crystallise and the company's work in progress would need to be realised to repay APF's bank loans.

Therefore, the uncertainty surrounding the ability of APF to continue to support the company and the potential for the company to have to liquidate WIP, represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and it may therefore be unable to continue realising its assets and discharging its liabilities as they fall due in the normal course of business.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of residential property and is net of incentives and commissions. Turnover is recognised when legal completion on the property takes place.

Goodwill

Goodwill arising on the acquisition of a business is capitalised and amortised through the profit and loss account over the estimated useful economic life, as determined by the directors. Goodwill is impaired in the event of a permanent diminution in value.

Work in progress

Work in progress is stated at the lower of cost and net realisable value and comprises land, site development costs, construction costs and associated finance costs.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the result for the period 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.

2 Directors and employees

The directors did not receive any emoluments in either period.

The company has no employees.

3 Turnover

All turnover and loss on ordinary activities before taxation arises solely from the principal activity of the company.

4 Cost of sales

	16 Months ended 30 April 2010 2010 £000	15 months ended 31 December 2008 £000
Site development and construction costs (including land)	9,209	4,808
Finance costs	-	2,231
Impairment of work in progress	7,283	9,199
	<u>16,492</u>	<u>16,238</u>

5 Operating loss

	16 Months ended 30 April 2010 2010 £000	15 months ended 31 December 2008 £000
<i>Operating loss is stated after charging.</i>		
Audit fees	-	-
Impairment of goodwill (see note 12)	-	683
	<u>-</u>	<u>683</u>

Audit fees are borne by the ultimate parent undertaking.

Notes (continued)

6 Interest payable and similar charges

	16 Months ended 30 April 2010	15 months ended 31 December 2008
	2010 £000	£000
Bank interest on overdrafts and loans repayable after five years	16	43

7 Taxation on loss on ordinary activities

	16 Months ended 30 April 2010 2010 £000	15 months ended 31 December 2008 £000
Current taxation		
UK Corporation tax @ 28%	-	-
Deferred taxation		
Original and reversal of timing differences	-	-
	-	-

Factors affecting the tax credit for the current period

The current tax credit for the period is lower (2009 lower) than the standard rate of corporation tax in the UK of 28% (2008 28%). The differences are explained below

	16 Months ended 30 April 2010 2010 £000	15 months ended 31 December 2008 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(7,741)	(12,392)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28%)	(2,167)	(3,470)
Items not deductible for tax purposes	-	191
Unutilised losses	2,167	3,279
Current tax for the period	-	-

At the period end there were tax losses carried forward of approximately £19,431,000 (2008 £11,704,000)

No deferred tax asset has been recognised in respect of the tax losses carried forward due to uncertainty regarding recoverability

8 Stock

Stock consists of work in progress (see note 17)

Notes (continued)

9 Debtors

	30 April 2010 £000	31 December 2008 £000
Trade debtors	-	5
Retentions	81	89
Prepayments	-	5
Other debtors	3	8
Amounts due from group undertakings	7,855	1,060
	<u>7,939</u>	<u>1,167</u>

10 Creditors: amounts falling due within one year

	30 April 2010 £000	31 December 2008 £000
Bank overdraft	-	23
Trade creditors	41	323
Other creditors and accruals	31	143
	<u>72</u>	<u>489</u>

11 Creditors: amounts falling due after more than one year

	30 April 2010 £000	31 December 2008 £000
Bank loan	98	263
	<u>98</u>	<u>263</u>

The bank loan is repayable in 2033, bears interest at the standard variable rate of the Monmouthshire Building Society and is secured on individual plots

12 Goodwill

	30 April 2010 £000	31 December 2008 £000
At beginning of period	-	-
On acquisitions	-	683
Impaired in period	-	(683)
	<u>-</u>	<u>-</u>
At end of period	<u>-</u>	<u>-</u>

Notes (continued)

13 Share capital

	30 April 2010 £000	31 December 2008 £000
<i>Authorised, allotted, called up and fully paid</i>		
33,524,258 Ordinary shares of £1 each	33,524	33,524

14 Profit and loss account

	16 Months ended 30 April 2010 £000	15 months ended 31 December 2008 £000
At beginning of period	(12,392)	-
Loss for the period	(7,741)	(12,392)
At end of period	(20,133)	(12,392)

15 Reconciliation of movements in shareholders' funds

	16 Months ended 30 April 2010 £000	15 months ended 31 December 2008 £000
Opening shareholders' funds	21,132	-
Issue of new shares	-	33,524
Loss for the period	(7,741)	(12,392)
Closing shareholders' funds	13,391	21,132

16 Capital commitments

No capital commitments exist at the period end (2008 £Nil)

17 Contingent liability

The work in progress in River7 Homes Limited is used as security for bank loans in the ultimate parent undertaking, Aurelian Property Finance Limited

Notes *(continued)*

18 Ultimate parent undertaking

The company is a subsidiary undertaking of River7 Limited and the ultimate parent undertaking is Aurelian Property Finance Limited. Both companies are incorporated and registered in England and Wales. The consolidated financial statements of Aurelian Property Finance Limited are available to the public and may be obtained from Priory House, Priory Street, Usk, NP15 1BJ.