

Directors' Report

The directors present their report and the audited financial statements of Kemsley Fields Limited (the Company) for the year ended 31 December 2006

Business Review**Principal activities**

The Company is a joint venture company whose principal activity is land development. The joint venture was established in October 2001 between Rexam PLC and Fletcher Challenge Forest Industries Limited for the purpose of the sale of land owned by the Company and the joint venture partners.

During 2006, the Company successfully sold units of land for housing development and light industrial use.

Risks and uncertainties

The main business risks affecting the Company are the sustainability of the property market and land environmental matters. As most of the land available has been sold, the directors believe that these risks are not now significant.

Key performance indicators

Given the nature of the Company's business, the directors are of the opinion that KPIs are not necessary to provide an understanding of the Company's activities.

Research and development

The Company ensures it seeks the expertise of professional advisors in considering all land development and sale strategy. It does not incur any expenditure on research and development.

Results and dividends

The profit for the year amounted to £726,000 (2005 profit £728,000). The directors do not recommend payment of a final dividend (2005 £nil).

Future outlook

No change in the Company's activities is envisaged in the foreseeable future.

Directors

The following persons held office during the year:

D W Gibson

S A Bull

J D Ollard

D P Wood



Directors' interests

According to the register kept by the Company for the purposes of section 324 of the Companies Act 1985, no director was interested in any shares or debentures of the Company at 31 December 2006

Interests in shares or debentures of Rexam PLC, the Company's 43.2% holding company, were as follows –

Name	Ordinary shares of 64 $\frac{2}{7}$ p each		01.01.06*	Options over Ordinary shares of 64 $\frac{2}{7}$ p each			31.12.06
	01.01.06	31.12.06*		Granted during the year	Exercised during the year	Lapsed during the year	
S A Bull	42,289	42,289	117,361	22,186	61,319	0	78,228
D W Gibson	55,682	76,804	596,675	144,300	126,721	102,930	511,324
J D Ollard	0	0	0	0	0	0	0
D P Wood	0	0	0	0	0	0	0

* or date of appointment, if later

Interests in shares or debentures of Fletcher Building Limited, the company's ultimate 56.8% holding company, were as follows –

Name	Ordinary shares		01.01.06	Options over Ordinary shares			31.12.06
	01.01.06	31.12.06		Granted during the year	Exercised during the year	Lapsed during the year	
S A Bull	0	0	0	0	0	0	0
D W Gibson	0	0	0	0	0	0	0
J D Ollard	0	0	0	0	0	0	0
D P Wood	6,581	6,581	0	0	0	0	0

Apart from the above interests, no director had any interests in the shares or debentures of any other Rexam Group company or Fletcher Building Group company at 1 January 2006 or 31 December 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that the applicable United Kingdom accounting standards have been followed.

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.

Each person who is a director of the Company 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 auditor is unaware, and
- each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Pursuant to section 386(1) of the Companies Act 1985 (as inserted by the Companies Act 1989) the members have resolved to dispense with the obligation to appoint auditors annually and PricewaterhouseCoopers LLP is deemed to be re-appointed each year.

By order of the Board

A handwritten signature in black ink, appearing to be 'D W Gibson', with a long horizontal flourish extending to the right.

D W Gibson
Secretary

Dated this 28 day of June 2007

Independent Auditors' Report to the Members of Kemsley Fields Limited

We have audited the financial statements of Kemsley Fields Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Dated this 2 day of JULY 2007

Profit and loss account
For the year ended 31 December 2006

Continuing operations

	Notes	2006 £'000	2005 £'000
Turnover		18,412	7,866
Cost of sales		(16,803)	(6,540)
Income from land sales	(3)	1,609	1,326
Other income		11	1,654
Other operating costs	(4)	(418)	(1,743)
Profit on ordinary activities before interest		1,202	1,237
Interest received	(6)	103	249
Interest paid	(6)	(251)	(446)
Profit on ordinary activities before taxation		1,054	1,040
Taxation	(5)	(328)	(312)
Profit retained for the financial year	(11)	726	728

There is no difference between the profit on ordinary activities before taxation or the profit retained for the year stated above and their historical cost equivalent

There are no other recognised gains and losses other than the profit attributable to shareholders of £726,000 (2005 £728,000)

Balance sheet as at 31 December 2006

	Notes	2006 £'000	2005 £'000
Current assets			
Stock	(7)	-	7,005
Debtors - amount receivable within one year	(8)	327	6,063
Cash at bank		1,754	1,050
		<u>2,081</u>	<u>14,118</u>
Creditors: amounts falling due within one year			
Borrowings	(9)	-	(6,540)
Other creditors	(9)	(1,251)	(7,474)
		<u>(1,251)</u>	<u>(14,014)</u>
Net current assets		<u>830</u>	<u>104</u>
Net assets		<u>830</u>	<u>104</u>
Capital and reserves			
Equity			
Called up share capital	(10)	100	100
Profit and loss reserve	(11)	730	4
Total shareholders' funds	(12)	<u>830</u>	<u>104</u>

Approved by a board resolution dated this 28 day of June 2007



Director

Notes to the financial statements

1. Accounting policies

Accounting convention

These financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards

Turnover

The Company has an agreement to procure the sale of units of land on behalf of the joint venture partners. It is entitled to income of 10% of the proceeds of each sale less infrastructure and disposal costs. Sale proceeds less the cost of related land is recognised as turnover when the sale of a unit of land becomes unconditional.

Stock

Work in progress represents the cost of road development and infrastructure and is stated at the lower of cost and net realisable value. The cost is expensed to the profit and loss account either when the conditions associated with escrow funding have been met or upon the sale of a unit of land.

Deferred tax

Deferred tax is recognised in accordance with FRS19, which requires full provision, subject to certain exceptions, for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. In applying FRS19, deferred tax has not been calculated on a discounted basis.

2. Directors remuneration

The Company has no employees. The directors did not receive any remuneration during the year in respect of their services to the Company (2005: £nil).

3. Turnover and income from land sales

	2006 £'000	2005 £'000
Proceeds from land sales	23,585	20,250
Cost attributable to land sold	(5,173)	(12,384)
Turnover	18,412	7,866
Disposal costs	(8,198)	(2,626)
Infrastructure costs allocated to land sold	(8,605)	(3,914)
Total income from land sales	1,609	1,326

Cost attributable to land sold relates to the disposal proceeds due to the joint venture partners in accordance with the joint venture agreement and represents the consideration receivable in respect of land owned by them and sold by the Company.

Notes to the financial statements continued

4. Other operating costs

	2006 £'000	2005 £'000
Infrastructure costs recovered from escrow funds	11	1,654
Audit services	4	6
Professional fees	58	83
Other road costs	345	-
	<u>418</u>	<u>1,743</u>

5. Taxation

(a) Tax on profit on ordinary activities

	2006 £'000	2005 £'000
Current year		
Current tax	(328)	(3)
Deferred tax	-	(309)
Tax on profit on ordinary activities	<u>(328)</u>	<u>(312)</u>

(b) Factors affecting current tax charge

The current tax assessed on the profit on ordinary activities is different to the standard rate of corporation tax in the UK of 30% (2005 30%) for the reasons set out below

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	<u>1,054</u>	<u>1,040</u>
Profit on ordinary activities at the standard rate of corporation tax in UK	316	312
Non deductible items	12	-
Prior year losses utilised in year	-	(309)
Tax charge	<u>328</u>	<u>3</u>

Notes to the financial statements continued

6. Interest

	2006	2005
	£'000	£'000
Interest receivable		
Bank interest	<u>103</u>	<u>249</u>
Interest payable		
Rexam Property Developments Ltd	108	193
Fletcher Challenge Forest Industries Ltd	<u>143</u>	<u>253</u>
Total interest payable	<u>251</u>	<u>446</u>

7. Stock

	2006	2005
	£'000	£'000
Cost	17,716	16,105
Infrastructure costs recovered from escrow funds	(5,197)	(5,186)
Infrastructure costs charged to land sales	<u>(12,519)</u>	<u>(3,914)</u>
	<u>-</u>	<u>7,005</u>

8. Debtors: receivable within one year

	2006	2005
	£'000	£'000
Trade debtors	176	5,964
Other debtors	<u>151</u>	<u>99</u>
	<u>327</u>	<u>6,063</u>

Notes to the financial statements continued

9. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Unsecured borrowings – parent undertakings		
Fletcher Challenge Forest Industries Ltd	-	3,714
Unsecured borrowings – other		
Rexam Property Developments Ltd	-	2,826
	-	6,540
Deposits	-	2,042
Trade payables due to joint venture partners	-	3,067
Other creditors	1,251	2,365
	<u>1,251</u>	<u>7,474</u>

Unsecured borrowings were interest-bearing at LIBOR +2%, unsecured and were repayable on demand

10. Called up share capital

		2006 £'000	2005 £'000
Equity			
Authorised, allotted, called up and fully paid			
100,000 ordinary shares of £1 each		<u>100</u>	<u>100</u>
	%	Shareholding	
Rexam PLC	43.2	43,218	
Fletcher Challenge Forest Industries Ltd	56.8	56,782	
		<u>100,000</u>	

11. Reserves

	2006 £'000	2005 £'000
At 1 January	4	(724)
Profit for the year	726	728
At 31 December	<u>730</u>	<u>4</u>

Notes to the financial statements continued**12. Movement in shareholders' funds/ (deficit)**

	2006	2005
	£'000	£'000
At 1 January	104	(624)
Profit for the year	726	728
At 31 December	<u>830</u>	<u>104</u>

13. Ultimate controlling parties

The Company is under the joint control of Rexam PLC and Fletcher Challenge Forest Industries Limited who have voting rights equal to their respective shareholding Fletcher Challenge Forest Industries Limited is ultimately controlled by its New Zealand parent, Fletcher Building Limited

14. Cash Flow

Under Financial Reporting Standard FRS1 "Cash Flow Statements", the Company is exempt from the requirements to prepare cash flow statements on the grounds that it is a small entity, based on the small companies' exemption in the companies' legislation

15. Capital Commitments

The Company has entered into contracts for £13.0m (2005 £13.0m) for the building of the first phase of a road of which £0.1m was outstanding at 31 December 2006 (2005 £2.3m)