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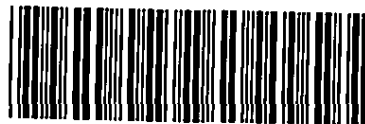
**Gladedale (East Midlands) Limited
(formerly Clarke Homes Limited)**

Report and Financial Statements

Year Ended

31 December 2006

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BDO Stoy Hayward
Chartered Accountants

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Annual report and financial statements for the year ended 31 December 2006

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Directors

S J Hirst
G A T Asker
R Dipre
D Gaffney
D Gandhi
M Gregory
J V Dipre

Joint secretaries and registered office

S J Hirst and D Gandhi, Ashley House, Ashley Road, Epsom, Surrey, KT18 5AZ

Company number

3675469

Auditors

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

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006. The company passed a special resolution changing its name from Clarke Homes Limited on 29 January 2007.

Principal activities

The principal activities of the Gladedale Group are housebuilding, property development and investment. The principal activity of the company is housebuilding.

Review of the Business

The profit and loss account is set out on page 6 and shows turnover for the year of £5,071,120 and profit before tax for the year of £1,048,652, being a decrease of 54.3%, down from £2,298,437 over last period. The directors anticipate that the company will further expand its business and produce satisfactory results for the coming year.

The directors do not recommend the payment of a dividend (2005: £nil).

There have been no events since the balance sheet date which materially affect the position of the company.

Principal Risks and Uncertainties

The company is a subsidiary within the Gladedale Holdings Limited (formerly Gladedale Holdings Plc), the ultimate parent company, Group of companies, and therefore the risks of that Group are disclosed in the financial statements of that company. Operational and financial risks are managed on a group basis. The company is not exposed to significant risks.

Financial instruments and risk management

Working capital requirements are met principally out of floating rate overdrafts and retained profits. In addition, trade debtors and trade creditors arise directly from the company's operations. The company does not enter into any hedging arrangements.

The directors monitor the liquidity and cash flow risk of the company carefully. The company has an agreed overdraft limit within an overall Gladedale Holding Limited Group bank facility. The company generally borrows from within a group facility. Cash flow is monitored by the directors on a regular basis and appropriate action is taken where additional funds are required, by liaising with the Gladedale Holdings Limited treasury function.

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Report of the directors for the year ended 31 December 2006

Directors

The directors who, unless otherwise stated, served throughout the year were as follows

J L Harrison	(resigned 31 January 2007)
S J Hirst	
G A T Asker	
R Dipre	
D Gaffney	
D Gandhi	
M Gregory	
J L Harrison	(appointed 1 April 2006)

Directors' responsibilities

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 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 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.

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

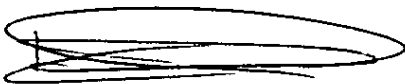
Report of the directors for the year ended 31 December 2006 (Continued)

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 purposes 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 appoint them will be proposed at the next annual general meeting.

By order of the Board



D Gandhi
Secretary

Date 29/10/07

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Report of the independent auditors

To the shareholders of Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

We have audited the financial statements of Gladedale (East Midlands) Limited (formerly Clarke Homes 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).

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.

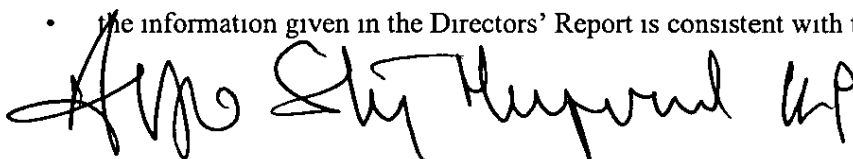
Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Report of the independent auditors (*Continued*)

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, and
- 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



BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Gatwick

Date

30 October 2007

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Profit and loss account for the year ended 31 December 2006

	Note	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Turnover	2	5,071,120	13,877,084
Cost of sales		(3,229,990)	(9,531,874)
Gross profit		1,841,130	4,345,210
Administrative expenses		(927,258)	(1,920,278)
Other operating income		70,275	18,958
Operating profit	5	984,147	2,443,890
Interest payable and similar charges	6	(20,450)	(232,548)
Interest receivable and similar income	7	84,955	87,095
Profit on ordinary activities before taxation	--	1,048,652	2,298,437
Taxation on profit on ordinary activities	8	(316,111)	(690,974)
Profit for the financial year/period	16,17	732,541	1,607,463

All amounts relate to continuing activities

The notes on pages 8 to 17 form part of these financial statements

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Balance sheet at 31 December 2006

	Note	31 December 2006 £	31 December 2006 £	31 December 2005 £	31 December 2005 £
Fixed assets					
Tangible assets	9		25,178		40,563
Current assets					
Stocks	10	2,181,526		3,149,731	
Debtors	11	130,565		153,254	
Cash at bank and in hand		1,632,599		228	
		<u>3,944,690</u>		<u>3,303,213</u>	
Creditors: amounts falling due within one year	12	<u>(1,560,894)</u>		<u>(1,665,577)</u>	
Net current assets			2,383,796		1,637,636
Total assets less current liabilities			2,408,974		1,678,199
Provisions for liabilities	14		1,622		(144)
Net assets			<u>2,410,596</u>		<u>1,678,055</u>
Capital and reserves					
Called up share capital	15		200,000		200,000
Profit and loss account	16		2,210,596		1,478,055
Shareholders' funds	17		<u>2,410,596</u>		<u>1,678,055</u>

The financial statements were approved by the Board and authorised for issue on 21/10/2007


R Dipe
Director

The notes on pages 8 to 17 form part of these financial statements

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Revenue recognition

Revenue from the sale of properties are accounted for at the date of legal completion.

Tangible fixed assets

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery	-	25% per annum
Fixtures, fittings, tools and equipment	-	20%-25% per annum

Stocks

Land held for development, stocks and work in progress are valued at the lower of cost and net realisable value.

Costs include materials, labour and overheads appropriate to the relevant stage of completion. Net realisable value is based on estimated selling prices less all further costs to completion and all relevant marketing and selling costs.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Operating leases

Annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 from preparing a cash flow statement as the company is included within the consolidated accounts of the ultimate parent company that are publicly available.

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

2 Turnover

Turnover represents amounts derived from the provision of goods and services which fall due within the company's ordinary activities after deduction of discounts and valued added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity that of residential house building.

3 Employees

	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Staff costs during the year (including directors) consist of		
Wages and salaries	519,750	808,303
Social security costs	56,522	68,675
Other pension costs	2,918	2,927
	<u>579,190</u>	<u>879,905</u>

	Year ended 31 December 2006 Number	18 month period ended 31 December 2005 Number
Average number of persons employed (including executive directors)		
Production	5	8
Sales and distribution	5	7
Administration	15	11
	<u>25</u>	<u>26</u>

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

4 Directors

Certain directors are executives of the immediate parent company, Gladedale (Central Division) Limited (formerly NorthCountry Homes Group Limited), the ultimate parent company, Gladedale Holdings Limited (formerly Gladedale Holdings plc) or both. It is not practicable to allocate their total remuneration between their services as executives of Gladedale (East Midlands) Limited (formerly Clarke Homes Limited) and their services as directors of Gladedale (Central Division) Limited (formerly NorthCountry Homes Group Limited), Gladedale Holdings Limited (formerly Gladedale Holdings plc) and other group companies. Details of the directors' remuneration can be found in the financial statements of the immediate and ultimate parent companies.

The emoluments of the remaining directors are

	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Emoluments	103,398	118,812

No directors are members of the group defined benefit pension scheme.

5 Operating profit

	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Operating profit is stated after charging		
Depreciation - owned assets	16,859	24,191
Rentals under operating leases – land and buildings	42,437	30,337
Plant hire	89,789	189,410
Auditors' remuneration - audit	6,500	4,000
- other taxation services	2,000	1,500

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

6 Interest payable and similar charges

	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Bank interest payable	2,177	458
Recharge from parent company in respect of interest on bank loans and overdrafts	-	218,543
Other interest payable	18,273	13,547
	<u>20,450</u>	<u>232,548</u>

7 Interest receivable and similar income

	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Bank interest receivable	83,999	85,014
Other interest receivable	956	2,081
	<u>84,955</u>	<u>87,095</u>

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

8 Taxation on profit on ordinary activities

	Year ended 31 December 2006 £	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £	18 month period ended 31 December 2005 £
<i>Current tax</i>				
UK corporation tax on profits of the year	317,947		692,000	
Adjustments in respect of prior year	(70)		(185)	
Total current tax		317,877		691,815
<i>Deferred tax</i>				
Origination and reversal of timing differences	(1,766)		(841)	
Total deferred tax (note 14)		(1,766)		(841)
Taxation on profit on ordinary activities		316,111		690,974

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Profit on ordinary activities before tax	1,048,652	2,298,437
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	314,596	689,531
Effects of		
Expenses not deductible for tax purposes	1,463	1,398
Fixed asset timing differences	1,971	1,060
Adjustment to tax charge in respect of previous years	(70)	(185)
Other timing differences	(83)	11
Current tax charge for year/period	317,877	691,815

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

9 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<i>Cost</i>			
At 1 January 2006	47,985	27,461	75,446
Additions	1,384	360	1,744
Disposals	(680)	-	(680)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	48,689	27,821	76,510
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 January 2006	22,248	12,635	34,883
Charge for the year	10,413	6,446	16,859
Disposals	(410)	-	(410)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	32,251	19,081	51,332
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2006	16,438	8,740	25,178
	<hr/>	<hr/>	<hr/>
At 31 December 2005	25,737	14,826	40,563
	<hr/>	<hr/>	<hr/>

10 Stocks

	31 December 2006 £	31 December 2005 £
Raw materials and consumables	-	59,626
Work in progress	2,181,526	1,358,543
Land for development	-	1,731,562
	<hr/>	<hr/>
	2,181,526	3,149,731
	<hr/>	<hr/>

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

11 Debtors

	31 December 2006 £	31 December 2005 £
Trade debtors	44,931	14,000
Land option fees and deposits on conditionally contracted land	34,745	-
Amounts due from group undertakings	9,894	16,240
Group relief receivable	-	185
Other debtors	28,025	73,518
Prepayments and accrued income	12,970	49,311
	<u>130,565</u>	<u>153,254</u>

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

12 Creditors: amounts falling due within one year

	31 December 2006 £	31 December 2005 £
Bank loans and overdrafts (note 13)	-	262,054
Trade creditors	161,530	597,044
Land creditors	-	7,726
Amounts due to group undertakings	24,255	43,632
Corporation tax	317,947	436,328
Group relief payable	438,771	-
Other taxes and social security	16,985	36,988
Other creditors	406,448	46,723
Accruals and deferred income	194,958	235,082
	<u>1,560,894</u>	<u>1,665,577</u>

13 Borrowings

	31 December 2006 £	31 December 2005 £
Bank loans and overdrafts	-	262,054
	<u>-</u>	<u>262,054</u>

The bank has a fixed and floating charge over the assets of the company

Bank loans and the loan from parent company were repaid during the year

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

14 Provisions for liabilities

	31 December 2006 £	31 December 2005 £
Deferred taxation		
Liability at the start of the year	144	985
Origination and reversal of timing differences	(1,766)	(841)
	<u> </u>	<u> </u>
(Asset)/liability at the end of the year/period	(1,622)	144
	<u> </u>	<u> </u>

The amounts of deferred taxation provided in the accounts are as follows

	31 December 2006 £	31 December 2005 £
Capital allowances in excess of depreciation	(1,707)	249
On short term timing differences	85	(105)
	<u> </u>	<u> </u>
	(1,622)	144
	<u> </u>	<u> </u>

There was no unprovided deferred taxation during either year

15 Called up share capital

	31 December 2006 £	31 December 2005 £
<i>Authorised</i>		
500,000 ordinary shares of £1 each	500,000	500,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
200,000 ordinary shares of £1 each	200,000	200,000
	<u> </u>	<u> </u>

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

16 Reserves

	Profit and loss account £
Balance at 1 January 2006	1,478,055
Retained profit for the financial year	732,541
	<hr/>
Balance at 31 December 2006	2,210,596
	<hr/>

17 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2006 £	18 month period ended 31 December 2005 £
Profit on ordinary activities after taxation	732,541	1,607,463
	<hr/>	<hr/>
Net increase to shareholders' funds	732,541	1,607,463
Opening shareholders' funds	1,678,055	70,592
	<hr/>	<hr/>
Closing shareholders' funds	2,410,596	1,678,055
	<hr/>	<hr/>

18 Financial commitments and contingent liabilities

Financial commitments

At 31 December 2006, the company was committed to making the following payments during the next year in respect of operating leases

	31 December 2006 Land and buildings £	31 December 2005 Land and buildings £
Leases which expire		
Within two to five years	22,000	22,000
In more than five years	21,408	19,624
	<hr/>	<hr/>
	43,408	41,624
	<hr/>	<hr/>

Gladedale (East Midlands) Limited (formerly Clarke Homes Limited)

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

18 Financial commitments and contingent liabilities (Continued)

Contingent liabilities

The company has given a cross guarantee to the lender in respect of the group's bank borrowings. The total group borrowings against which the company had provided a cross guarantee at 31 December 2006 was £299,753,000 (2005 £401,198,000).

The company has given counter indemnities and guarantees to the National House Building Council in respect of performance bonds in the normal course of business.

19 Pension scheme

The company contributed £3,182 (period ended 31 December 2005 - £2,831) into defined contribution schemes during the year.

20 Related party transactions

The company is a wholly owned subsidiary of Gladedale Holdings Limited (formerly Gladedale Holdings plc). Gladedale Holdings Limited has prepared consolidated financial statements for the year ended 31 December 2006 and therefore, the company has relied on the exemptions contained within Financial Reporting Standard 8 in respect of the disclosure of related party transactions.

21 Ultimate parent company

The ultimate parent company is Gladedale Holdings Limited (formerly Gladedale Holdings plc), a company registered in England and Wales.

The company's immediate parent company is Gladedale (Central Division) Limited (formerly NorthCountry Homes Group Limited).

Gladedale Holdings Limited is the parent of the smallest and largest group of which the company is a member for which consolidated financial statements are prepared.

Copies of the accounts of the ultimate parent company are available from Companies House, Crown Way, Maundy, Cardiff, CF4 3UZ.

22 Ultimate controlling party

The directors consider R Dipre to be the ultimate controlling party by virtue of his shareholding in Gladedale Holdings Limited (formerly Gladedale Holdings plc), the ultimate parent.