

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006  
FOR  
TRAFALGAR NEW HOMES PLC**

4340125



**TRAFALGAR NEW HOMES PLC**

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FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

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**TRAFALGAR NEW HOMES PLC**  
**COMPANY INFORMATION**  
**FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

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**DIRECTORS:**

K Virk  
A Sheldrick  
J E Upchurch

**SECRETARY:**

K Virk

**REGISTERED OFFICE:**

Cumberland house  
80 Scrubs Lane  
Harlesdon  
London  
NW10 6RF

**REGISTERED NUMBER:**

4340125 (England and Wales)

**AUDITORS:**

The KBSP Partnership  
Chartered Accountants  
Registered Auditors  
Harben House  
Harben Parade  
Finchley Road  
London NW3 6LH

# TRAFALGAR NEW HOMES PLC

## REPORT OF THE DIRECTORS FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006

The directors present their report with the financial statements of the company for the period 1 January 2005 to 31 March 2006.

### PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of property development.

### REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

### DIVIDENDS

No dividends will be distributed for the period ended 31 March 2006.

### EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

### DIRECTORS

The directors during the period under review were:

K Virk	
A Sheldrick	
J E Upchurch	- appointed 27.4.2005
Mrs G Baljinder	- resigned 27.4.2005

The beneficial interests of the directors holding office on 31 March 2006 in the issued share capital of the company were as follows:

	31.3.06	1.1.05 or date of appointment if later
<b>Ordinary 0.01 shares</b>		
K Virk	2,125,000	1
A Sheldrick	2,125,000	1
J E Upchurch	750,000	-

The shares held at 1 January 2005 as shown above (prior to the reconstruction of the share capital) were £1 shares.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**TRAFALGAR NEW HOMES PLC**

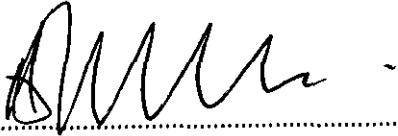
**REPORT OF THE DIRECTORS  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

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**AUDITORS**

The auditors, The KBSP Partnership, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**



.....  
A Sheldrick - Director

Date: 24/8/06  
.....

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
TRAFALGAR NEW HOMES PLC**

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We have audited the financial statements of Trafalgar New Homes Plc for the period ended 31 March 2006 on pages five to thirteen. 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**

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

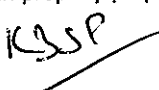
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



The KBSP Partnership  
Chartered Accountants  
Registered Auditors  
Harben House  
Harben Parade  
Finchley Road  
London NW3 6LH

Date: 24/8/06

**TRAFALGAR NEW HOMES PLC**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

	Notes	period 1.1.05 to 31.3.06 £	year ended 31.12.04 £
<b>TURNOVER</b>		-	-
Administrative expenses		<u>31,672</u>	-
<b>OPERATING LOSS</b>	3	<b>(31,672)</b>	-
Interest payable and similar charges	4	<u>194</u>	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(31,866)</b>	-
Tax on loss on ordinary activities	5	-	-
<b>LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION</b>		<b>(31,866)</b>	-
<b>DEFICIT CARRIED FORWARD</b>		<b><u>£(31,866)</u></b>	-
<b>EARNINGS PER SHARE CONTINUING OPERATIONS</b>	19	<b>(0.538 Pence)</b>	-

None of the company's activities were acquired or discontinued during the current period or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the loss for the current period.

The notes form part of these financial statements

TRAFALGAR NEW HOMES PLC

**BALANCE SHEET**  
**31 MARCH 2006**

	Notes	2006 £	2004 £
<b>FIXED ASSETS:</b>			
Tangible assets	6	1,125	-
<b>CURRENT ASSETS:</b>			
Stocks	7	1,082,050	-
Debtors	8	<u>5,032</u>	<u>2</u>
		1,087,082	2
<b>CREDITORS:</b> Amounts falling due within one year	9	<u>96,431</u>	<u>-</u>
<b>NET CURRENT ASSETS:</b>		<u>990,651</u>	<u>2</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>		991,776	2
<b>CREDITORS:</b> Amounts falling due after more than one year	10	<u>865,331</u>	<u>-</u>
		<u><u>£126,445</u></u>	<u><u>£2</u></u>
<b>CAPITAL AND RESERVES:</b>			
Called up share capital	13	59,187	2
Share premium	14	99,124	-
Profit and loss account		<u>(31,866)</u>	<u>-</u>
<b>SHAREHOLDERS' FUNDS:</b>	17	<u><u>£126,445</u></u>	<u><u>£2</u></u>

The financial statements were approved by the Board of Directors on 24/8/06 and were signed on its behalf by:

  
.....  
A Sheldrick - Director

The notes form part of these financial statements



TRAFALGAR NEW HOMES PLC

**CASH FLOW STATEMENT**  
**FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

	Notes	period 1.1.05 to 31.3.06 £	year ended 31.12.04 £
<b>Net cash outflow from operating activities</b>	1	<b>(1,047,606)</b>	-
<b>Returns on investments and servicing of finance</b>	2	<b>(194)</b>	-
<b>Capital expenditure</b>	2	<b><u>(1,500)</u></b>	-
		<b>(1,049,300)</b>	-
<b>Financing</b>	2	<b><u>1,023,642</u></b>	-
<b>Decrease in cash in the period</b>		<b><u>£(25,658)</u></b>	-
<hr/>			
<b>Reconciliation of net cash flow to movement in net debt</b>	3		
<b>Decrease in cash in the period</b>		<b><u>(25,658)</u></b>	-
Change in net debt resulting from cash flows		<b><u>(25,658)</u></b>	-
<b>Movement in net debt in the period</b>		<b><u>(25,658)</u></b>	-
<b>Net debt at 1 January</b>		<b><u>-</u></b>	-
<b>Net debt at 31 March</b>		<b><u>£(25,658)</u></b>	-

The notes form part of these financial statements

TRAFALGAR NEW HOMES PLC

NOTES TO THE CASH FLOW STATEMENT  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	period 1.1.05 to 31.3.06 £	year ended 31.12.04 £
Operating loss	(31,672)	-
Depreciation charges	375	-
Increase in directors' current accounts	38,282	-
Increase in stocks	(1,082,050)	-
Increase in debtors	(5,032)	-
Increase in creditors	32,491	-
<b>Net cash outflow from operating activities</b>	<b>(1,047,606)</b>	<b>-</b>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	period 1.1.05 to 31.3.06 £	year ended 31.12.04 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(194)	-
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(194)</b>	<b>-</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(1,500)	-
<b>Net cash outflow for capital expenditure</b>	<b>(1,500)</b>	<b>-</b>
<b>Financing</b>		
New loan taken out in year	865,331	-
Cash receipt re share issue	158,311	-
<b>Net cash inflow from financing</b>	<b>1,023,642</b>	<b>-</b>

The notes form part of these financial statements

TRAFALGAR NEW HOMES PLC

NOTES TO THE CASH FLOW STATEMENT  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.05 £	Cash flow £	At 31.3.06 £
Net cash:			
Cash at bank and in hand	-	-	-
Bank overdraft	-	(25,658)	(25,658)
	-	(25,658)	(25,658)
Total	-	(25,658)	(25,658)
<b>Analysed in Balance Sheet</b>			
Bank overdraft	-		(25,658)
	-		(25,658)

The notes form part of these financial statements

**TRAFALGAR NEW HOMES PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

**1. ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings                      - 25% on reducing balance

**Stocks**

Work in progress is valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**2. STAFF COSTS**

There were no staff costs for the period ended 31 March 2006 nor for the year ended 31 December 2004.

**3. OPERATING LOSS**

The operating loss is stated after charging:

	period 1.1.05 to 31.3.06 £	year ended 31.12.04 £
Depreciation - owned assets	375	-
Auditors' remuneration	<u>2,500</u>	<u>-</u>
Directors' emoluments	<u>-</u>	<u>-</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	period 1.1.05 to 31.3.06 £	year ended 31.12.04 £
Bank interest	<u>194</u>	<u>-</u>

**5. TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the period ended 31 March 2006 nor for the year ended 31 December 2004.

**TRAFALGAR NEW HOMES PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

**6. TANGIBLE FIXED ASSETS**

	<b>Fixtures and fittings</b>
	<b>£</b>
<b>COST:</b>	
Additions	<u><b>1,500</b></u>
At 31 March 2006	<u><b>1,500</b></u>
<b>DEPRECIATION:</b>	
Charge for period	<u><b>375</b></u>
At 31 March 2006	<u><b>375</b></u>
<b>NET BOOK VALUE:</b>	
At 31 March 2006	<u><u><b>1,125</b></u></u>

**7. STOCKS**

	<b>2006</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Work in progress	<u><u><b>1,082,050</b></u></u>	<u><u><b>-</b></u></u>

Work in progress comprises one development. Although it is included at cost, a professional valuation was carried out for Barclays Bank PLC on 9 March 2005 which valued the land at £1million based on planning consent for nine dwellings. The site had been acquired at a cost of £775,000. The valuation was carried out by Lewis Doyle, Chartered Surveyors of 26 Ives Street, London, SW3 2ND. As the company already had such planning permission and, taking into account preliminary development works, the directors consider the market value of the development at 31 March 2006 to be not less than £1,300,000.

**8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2006</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
V.A.T.	<b>4,682</b>	<b>-</b>
Other debtors	<b>-</b>	<b>2</b>
Prepayments	<u><b>350</b></u>	<u><b>-</b></u>
	<u><u><b>5,032</b></u></u>	<u><u><b>2</b></u></u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2006</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts (see note 11)	<b>25,658</b>	<b>-</b>
Trade creditors	<b>29,991</b>	<b>-</b>
Directors current accounts	<b>38,282</b>	<b>-</b>
Accruals and deferred income	<u><b>2,500</b></u>	<u><b>-</b></u>
	<u><u><b>96,431</b></u></u>	<u><u><b>-</b></u></u>

**TRAFALGAR NEW HOMES PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

**10. CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

	<b>2006</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Bank loans (see note 11)	<b><u>865,331</u></b>	<u>-</u>

**11. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	<b>2006</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year or on demand:		
Bank overdrafts	<b><u>25,658</u></b>	<u>-</u>
Amounts falling due between one and two years:		
Bank loans	<b><u>865,331</u></b>	<u>-</u>

**12. SECURED DEBTS**

The following secured debts are included within creditors:

	<b>2006</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Bank overdrafts	<b>25,658</b>	-
Bank loans	<b><u>865,331</u></b>	<u>-</u>
	<b><u>890,989</u></b>	<u>-</u>

The bank loan and overdraft are secured by a fixed charge over the freehold property of the company held within work in progress and by a £200,000 personal guarantee from A. Sheldrick and K. Virk, directors of the company.

**13. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	<b>2006</b>	<b>2004</b>
			<b>£</b>	<b>£</b>
20,000,000	Ordinary	0.01	<b><u>200,000</u></b>	<u>100,000</u>
(2004 - 10,000,000)				
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	<b>2006</b>	<b>2004</b>
			<b>£</b>	<b>£</b>
5,918,719	Ordinary	0.01	<b><u>59,187</u></b>	<u>2</u>
(2004 - 2)				

**TRAFALGAR NEW HOMES PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY 2005 TO 31 MARCH 2006**

**13. CALLED UP SHARE CAPITAL - continued**

The following shares were allotted and fully paid for cash at par during the period:

5,378,379 Ordinary shares at 0.01 each

The following shares were allotted and fully paid for cash at a premium of 24p per share during the period:

540,340 Ordinary shares at 0.01 each

**14. SHARE PREMIUM**

	2006 £	2004 £
Cash share issue	<u>99,124</u>	<u>-</u>

**15. RELATED PARTY DISCLOSURES**

During the period the company paid a fee of £10,023 to SVS Securities PLC, controlled by K. Virk, a director of Trafalgar New Homes PLC, in respect of the preparation of a placing memorandum.

During the period J. Upchurch, a director of Trafalgar New Homes PLC, was paid expenses totalling £11,980.

During the period the Company paid a lending fee of £53,614 relating to the property acquisition to Trafalgar Developments (UK) Limited, a Company of which K Virk is a Director and shareholder.

During the period the Company paid a finance fee of £35,471 to KGT Partnership, a Company controlled by K Virk and A Sheldrick.

**16. POST BALANCE SHEET EVENTS**

The company has raised a further £118,565 through the issue of 515,500 shares since the year-end.

**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2006 £	2004 £
Loss for the financial period	(31,866)	-
Share premium	99,124	-
Shares issued	<u>59,185</u>	<u>2</u>
<b>Net addition to shareholders' funds</b>	<b>126,443</b>	<b>2</b>
Opening shareholders' funds	<u>2</u>	<u>-</u>
<b>Closing shareholders' funds</b>	<b><u>126,445</u></b>	<b><u>2</u></b>
 Equity interests	 <u>126,445</u>	 <u>2</u>

**18. CONTROL**

The company is deemed to be under no overall control.

**19. EARNINGS PER SHARE**

The earnings per share are based on a loss for the year of £31,866 and the number of shares in issue being 5,918,719. Following the year end an additional 515,500 shares were issued. Were these shares to be included as shares in issue at the year end the earnings per share would be (.495) pence per share.