

K.S.A. PROPERTY DEVELOPMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 2006

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K.S.A. Property Development Limited

Financial Statements

Year ended 30 September 2006

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K.S.A. Property Development Limited

Officers and Professional Advisors

The board of directors

W G R Thomson
C G Wilkinson
D Sheward
J Brecknell

Company secretary

A E Taylor

Registered office

7 Charlecote Mews
Staple Gardens
Winchester
Hampshire
SO23 8SR

Principal bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Auditors

Chiene + Tait
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

K.S.A. Property Development Limited

Directors' Report

The directors present their report and financial statements for the year ended 30 September 2006

Principal Activities

The principal activity of the company during the year was property development

The Directors and their interest in Shares of the Company

The directors who served the company during the year were as follows

W G R Thomson
C G Wilkinson
D Sheward
J Brecknell

No director had any interest in the shares of the company during the year

Auditors

Chiene + Tait have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed as auditors to the company for the ensuing year

Statement of the directors' responsibilities

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

- select suitable accounting policies and 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 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps 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

K.S A. Property Development Limited

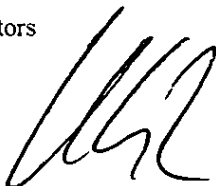
Directors' Report (continued)

Small Company Provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

Signed on behalf of the directors

W G R Thomson
Director



Approved by the directors on 24 July 2007

Independent Auditors' Report to the Shareholders of K.S.A. Property Development Limited

We have audited the financial statements of K.S.A. Property Development Limited for the year ended 30 September 2006 set out on pages 5 to 11. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities effective January 2005.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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 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 with the company 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 United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 30 September 2006 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.

CHIENE + TAIT
Chartered Accountants and Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL



31 July 2007

K.S.A. Property Development Limited

Profit and Loss Account

For the year ended 30 September 2006

	Notes	£	2006 £	£	2005 £
Turnover			5,761,470		-
Cost of sales			5,458,832		-
			-----		-----
Gross profit			302,638		-
Administrative expenses			-		-
			-----		-----
Operating profit	2		302,638		-
Amount owed to former Parent company written off			-		1,564,925
Interest payable	3	(302,638)		(12,656)	
Interest receivable		-		69	
		-----		-----	
			(302,638)		(12,587)
			-----		-----
Profit on ordinary activities before taxation			-		1,552,338
Tax on profit on ordinary activities	5		(1,708)		-
			-----		-----
(Loss) / profit for the financial year			(1,708)		1,552,338
			=====		=====

There are no recognised gains or losses other than the results for the year as set out above

All of the activities of the company are classed as continuing

The notes on pages 7 to 11 form part of these financial statements

K.S.A. Property Development Limited

Balance Sheet

As at 30 September 2006

	Notes	£	2006 £	£	2005 £
Fixed assets					
Tangible assets			-		-
Current assets					
Work in progress	6	2,997,638		2,171,097	
Debtors	7	5,273,091		23,975	
		<u>8,270,729</u>		<u>2,195,072</u>	
Creditors: Amounts falling due within one year	8	<u>6,840,126</u>		<u>762,761</u>	
Net current assets			1,430,603		1,432,311
Net assets			<u>1,430,603</u>		<u>1,432,311</u>
Capital and reserves					
Called up share capital	10		2		2
Profit and loss account	11		1,430,601		1,432,309
Shareholders' funds – equity interests	12		<u>1,430,603</u>		<u>1,432,311</u>

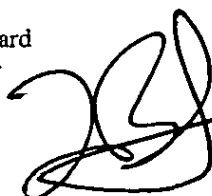
These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

These financial statements were approved by the directors on the 24th 2007 and are signed on their behalf by

W G R Thomson
Director



D Sheward
Director



The notes on pages 7 to 11 form part of these financial statements

K.S.A. Property Development Limited

Notes to the Financial Statements

For the year ended 30 September 2006

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Going concern

The financial statements have been prepared on the going concern basis

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small

Turnover

The turnover shown in the Profit and Loss Account represents amounts invoiced during the period, exclusive of Value Added Tax. All turnover during the year arose in the United Kingdom

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads including financing costs. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress

Recognition of profit

The profit on sale of any unit in a development is recognised only when the missives have been completed and the development is 80% complete. The company used to recognise sales when missives had been concluded and each unit was 75% complete. The change from 75% to 80% is considered to be more prudent and the financial effect in the accounts is considered to be immaterial

Deferred taxation

Deferred taxation is provided in respect of the tax effect of all timing differences in accordance with FRS 19

2. Operating profit

	2006 £	2005 £
Operating profit is stated after charging		
Auditors' fees	750	750

K.S.A. Property Development Limited**Notes to the Financial Statements****For the year ended 30 September 2006****3. Interest payable**

	2006	2005
	£	£
Interest on loans	-	12,656
Bank interest payable	376,098	97,831
Amounts capitalised in work in progress	(131,180)	(97,831)
Amounts transferred from work in progress relating to property sales	57,720	-
	<u>302,638</u>	<u>12,656</u>

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2006	2005
	£	£
Aggregate emoluments	<u>-</u>	<u>-</u>

5. Tax on profit on ordinary activities

(a) Analysis of charge in period	2006	2005
	£	£
UK corporation tax on profits for the year	1,708-	
Adjustment in respect of previous periods	-	-
Total current tax	<u>1,708</u>	<u>-</u>
Deferred tax	-	-
Tax on profit on ordinary activities	<u>1,708</u>	<u>-</u>

K.S.A. Property Development Limited**Notes to the Financial Statements****For the year ended 30 September 2006****5. Tax on profit on ordinary activities (contd)****(b) Factors affecting tax charge for period**

The tax assessed for the period is higher (2005 lower) than the expected tax charge as explained below

	2006 £	2005 £
Profit on ordinary activities before tax	-	1,552,338
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2005 30%)	-	465,701
Inter-company loan release not taxable	-	(469,477)
Losses carried forward	-	3,776
Expenses not deductible for tax purposes	7,005	-
Losses brought forward	(3,776)	-
Difference in tax rates	(1,521)	-
Current tax charge for year	1,708	-

(c) Factors affecting future tax charges

A deferred tax asset of £Nil (2005 £39,000) arises on tax losses carried forward which has not been recognised in the financial statements

6. Work in progress

	2006 £	2005 £
Property under development	2,997,638	2,171,097

£171,291 (2005 £97,831) of bank interest and £30,315 (2005 £73,949) relating to a bank arrangement fee has been capitalised within the value of work in progress at the balance sheet date

K.S.A. Property Development Limited**Notes to the Financial Statements****For the year ended 30 September 2006****7. Debtors**

	2006	2005
	£	£
Trade debtors	5,270,118	-
Other Debtors	2,973	23,975
	<u>5,273,091</u>	<u>23,975</u>

8. Creditors: Amounts falling due within one year

	2006	2005
	£	£
Amounts owed to parent company	5,514,076	585,077
Trade creditors	6,340	49,977
Accruals	1,318,002	127,707
Corporation tax	1,708	-
	<u>6,840,126</u>	<u>762,761</u>

A bank overdraft, in the name of the parent company, is secured by a charge over the assets of the company

The amount owed to the parent company is an interest free loan repayable on demand

9. Related party transactions

At the balance sheet date a balance of £5,514,076 (2005 £585,077) was due by the company to Kings Square Avenue Limited W G R Thomson, C G Wilkinson, D Sheward and J Brecknell are directors of Kings Square Avenue Limited At the balance sheet date, accrued management fees amounting to £442,500 (2005 £nil) were payable to Kenmore Residential Limited and £52,777 (2005 £Nil) were payable to Urban Creation Limited W G R Thomson and C G Wilkinson are directors of Kenmore Residential Limited D Sheward and J Brecknell are directors of Urban Creation Limited

10. Share capital

	2006	2005
	£	£
Authorised share capital		
10,000 Ordinary shares of £1 00 each	<u>10,000</u>	<u>10,000</u>
 Allotted, called up and fully paid:	 £	 £
2 Ordinary shares of £1 00 each	<u>2</u>	<u>2</u>

K.S.A. Property Development Limited

Notes to the Financial Statements

For the year ended 30 September 2006

11. Profit and loss account	2006	2005
	£	£
At 1 October 2005	1,432,309	(120,029)
(Loss) / profit for the financial year	(1,708)	1,552,338
	-----	-----
At 30 September 2006	<u>1,430,601</u>	<u>1,432,309</u>

12. Reconciliation of movements in shareholders' funds	2006	2005
	£	£
Opening shareholders' equity funds	1,432,311	(120,027)
(Loss) / profit for the financial year	(1,708)	1,552,338
	-----	-----
Closing shareholders' equity funds	<u>1,430,603</u>	<u>1,432,311</u>

13. Parent undertakings

The immediate parent company is Kings Square Avenue Limited, a company registered in Scotland