

K.S.A. PROPERTY DEVELOPMENT LIMITED

FINANCIAL STATEMENTS

For the ten month period ended 31 July 2007

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K.S.A. Property Development Limited

Financial Statements

Period ended 31 July 2007

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K.S.A. Property Development Limited

Officers and Professional Advisors

The board of directors

A R Reid
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 ten month period ended 31 July 2007

Principal Activities

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

The Directors

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

W G R Thomson
C G Wilkinson
D Sheward
J Brecknell

Subsequent to the period end, W G R Thomson resigned as director on 7 September 2007. In addition, A R Reid was appointed director on 7 September 2007.

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 period. 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.

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


A R Reid
Director

Approved by the directors on 14th January 2008

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

We have audited the financial statements of K S A Property Development Limited for the period ended 31 July 2007 set out on pages 4 to 10. 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 shareholder 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 shareholder 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 shareholder, 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 31 July 2007 and of its profit for the period 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.



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Chartered Accountants and Registered Auditors

61 Dublin Street

Edinburgh EH3 6NL

31 Jan 2008

K.S.A. Property Development Limited

Profit and Loss Account

For the period ended 31 July 2007

		10 months to 31 st July 2007		Year to 30 th September 2006 Restated	
	Notes	£	£	£	£
Turnover	1		9,067,597		-
Cost of sales			8,559,220		-
Gross profit			508,377		-
Administrative expenses			-		-
Operating profit	2		508,377		-
Amount owed to former Parent company written off			-		-
Interest payable	3	(508,377)		-	
Interest receivable		-		-	
			(508,377)		-
Profit on ordinary activities before taxation			-		-
Tax on profit on ordinary activities	5		1,708		(1,708)
Profit / (loss) for the financial period	11		1,708		(1,708)

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

All of the activities of the company are classed as continuing

The notes on pages 6 to 10 form part of these financial statements

K.S.A. Property Development Limited

Balance Sheet

As at 31 July 2007

			2007	2006
	Notes	£	£	Restated £
Fixed assets				
Tangible assets			-	-
Current assets				
Work in progress	6	209,398	7,913,128	
Debtors	7	1,990,943	2,973	
		<u>2,200,341</u>	<u>7,916,101</u>	
Creditors: Amounts falling due within one period	8	<u>768,030</u>	<u>6,485,498</u>	
Net current assets			1,432,311	1,430,603
Net assets			<u>1,432,311</u>	<u>1,430,603</u>
Capital and reserves				
Called up share capital	10		2	2
Profit and loss account	11		1,432,309	1,430,601
Shareholders' funds – equity interests	13		<u>1,432,311</u>	<u>1,430,603</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 14th January 2008 and are signed on their behalf by



A R Reid
Director



D Sheward
Director

The notes on pages 6 to 10 form part of these financial statements

K.S.A. Property Development Limited

Notes to the Financial Statements

For the period ended 31 July 2007

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 received during the period, exclusive of Value Added Tax, where there is a right to consideration from property trading activities. All turnover during the period 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 and change in accounting policy

The profit on the sale of any unit in a development is only recognised when settlement has taken place and funds have been received for the sale of the unit. The company previously recognised sales when missives had been concluded and each unit was 80% complete. The change in policy is considered more prudent and is consistent with other companies in the same industry.

If the company had not changed the accounting policy for the recognition of profit, the current assets and liabilities recorded for the current period i.e. to 31 July 2007, would have been higher in respect of current assets by £337,712 and higher in respect of creditors due within one year by £337,712. These would have resulted in no change in the net assets of the company at 31 July 2007.

This change in accounting policy has resulted in a prior year adjustment for the company as described in note 12.

Development profits are extracted by means of management charges from the owners of the company.

Deferred taxation

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

2. Operating profit

	10 months to 31 st July 2007 £	Year to 30 th September 2006 £
Operating profit is stated after charging		
Auditors' fees	750	750

In the year to 30 September 2006, these costs had been capitalised in work in progress.

K.S.A. Property Development Limited**Notes to the Financial Statements****For the period ended 31 July 2007****3. Interest payable**

	10 months to 31st July 2007	Year to 30th September 2006 Restated
	£	£
Bank interest payable	72,409	376,098
Amounts capitalised in work in progress	(4,786)	(376,098)
Amounts transferred from work in progress relating to property sales	440,754	-
	<u>508,377</u>	<u>-</u>

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	10 months to 31st July 2007	Year to 30th September 2006
	£	£
Aggregate emoluments	<u>-</u>	<u>-</u>

5. Tax on profit on ordinary activities

	10 months to 31st July 2007	Year to 30th September 2006
	£	£
(a) Analysis of (credit) / charge in period		
UK corporation tax on profits for the period	-	1,708
Adjustment in respect of previous periods	(1,708)	-
Total current tax	<u>(1,708)</u>	<u>1,708</u>
Deferred tax	-	-
Tax on profit on ordinary activities	<u>(1,708)</u>	<u>1,708</u>

K.S.A. Property Development Limited**Notes to the Financial Statements****For the period ended 31 July 2007****5. Tax on profit on ordinary activities (continued)****(b) Factors affecting tax charge for period**

The tax assessed for the period is lower (2006 higher) than the expected tax charge as explained below

	10 months to 31st July 2007 £	Year to 30th September 2006 £
Profit on ordinary activities before tax	-	-
Profit on ordinary activities multiplied by standard rate of corporation tax of 30% (2006 30%)	-	-
Expenses not deductible for tax purposes	4,048	7,005
Losses brought forward	(367)	(3,776)
Land remediation relief	(3,681)	-
Difference in tax rates	-	(1,521)
Adjustments in respect of previous periods	(1,708)	-
Current tax (credit) / charge for period	(1,708)	1,708

(c) Factors affecting future tax charges

A deferred tax asset of £1,702 (2006 £Nil) arises which has not been recognised in the financial statements. This asset is recoverable against future taxable trading profits of the company.

6. Work in progress

	2007 £	2006 Restated £
Property under development	209,398	7,913,128

£37,961 (2006 restated £473,928) of bank interest 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 period ended 31 July 2007****7. Debtors**

	2007	2006
	£	Restated £
Trade debtors	24,145	-
Other Debtors	1,130	2,973
Amounts due from parent company	1,965,668	-
	<u>1,990,943</u>	<u>2,973</u>

8. Creditors: Amounts falling due within one year

	2007	2006
	£	Restated £
Amounts owed to parent company	-	5,514,076
Trade creditors	-	6,340
Accruals	768,030	963,374
Corporation tax	-	1,708
	<u>768,030</u>	<u>6,485,498</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 from / to the parent company is an interest free loan repayable on demand

9. Related party transactions

At the balance sheet date a balance of £1,965,668 (2006 £5,514,076 due by) was due to the company by Kings Square Avenue Limited. A R Reid, C G Wilkinson, D Sheward and J Brecknell are directors of Kings Square Avenue Limited. W G R Thomson was a director of Kings Square Avenue Limited until 7 September 2007. At the balance sheet date, accrued management fees were included in accruals amounting to £592,235 (2006 restated £Nil) which were payable to Kenmore Residential Limited. At 31 July 2007, W G R Thomson, A R Reid and C G Wilkinson were directors of Kenmore Residential Limited. D Sheward and J Brecknell are directors of Urban Creation Limited.

10. Share capital

	2007	2006
	£	£
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 period ended 31 July 2007**

11. Profit and loss account	2007	2006
	£	£
At 1 October 2006	1,430,601	1,432,309
Profit / (loss) for the financial period	1,708	(1,708)
	-----	-----
At 31 July 2007	<u>1,432,309</u>	<u>1,430,601</u>

12. Prior year adjustment

Following the change in accounting policy for the recognition of profit, development unit sales are now recognised when settlement has taken place. Accordingly, a prior year adjustment from previously recorded current assets and liabilities has been made to remove trade debtors amounting to £5,270,118, increase work in progress by £4,915,489 and decrease accruals and deferred income by £354,629. These result in no change to the net asset value of the company.

13. Reconciliation of movements in shareholders' funds	2007	2006
	£	£
Opening shareholders' equity funds	1,430,603	1,432,311
Profit / (loss) for the financial period	1,708	(1,708)
	-----	-----
Closing shareholders' equity funds	<u>1,432,311</u>	<u>1,430,603</u>

14. Parent undertakings

The immediate parent company is Kings Square Avenue Limited, a company registered in Scotland. Kings Square Avenue Limited is owned equally by Kenmore Residential Limited and Urban Creation Limited.