

Ballymore Properties Holdings Limited and subsidiaries

Directors' report and consolidated
financial statements

For the year ended 31 March 2006

Registered number 04910171

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Ballymore Properties Holdings Limited and subsidiaries

Directors' report and consolidated financial statements

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Ballymore Properties Holdings Limited and subsidiaries

Directors and other information

Directors	Sean Mulryan (Irish) Brian Fagan (Irish) Ray Hardy (Irish)
Secretary	Brian Fagan
Registered office	St Johns House 5 South Parade Summertown Oxford OX2 7JL
Registered number	04910171
Bankers	Allied Irish Bank (GB) London Anglo Irish Bank Corp London Fortis Bank S A / N V London Irish Nationwide Building Society Belfast Wurtembergische Hypothekbank Aktiengesellschaft London Royal Bank of Scotland London Allied Irish Bank Dublin
Auditor	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2
Solicitors	Howard Kennedy Harcourt House 19 Cavendish Square London W1A 2AW Lovells 65 Holborn Viaduct London EC4 2DY Wragge & Co 3 Waterhouse Square 142 High Holborn London EC1N 2SW

Ballymore Properties Holdings Limited and subsidiaries

Directors' report

The directors present their annual report and audited consolidated financial statements for the year ended 31 March 2006

Principal activity and review of the business

The principal activities of the group throughout the year were that of property development and investment. There has been no significant change in these activities during the year.

Results, review of the business and dividend

A summary of the results of the trading for the year is given on page 11 of the financial statements. The loss for the year was £2,468,000 (2005 profit £11,072,000).

The directors do not recommend the payment of a dividend.

Future developments

The directors expect the general level of activity to continue for the foreseeable future.

Directors, secretary and their interests

The directors and secretary who held office during the year are listed on page 1.

The directors serving at year end, who held beneficial interests in the issued share capital of group companies were as follows:

Name of director		Ordinary shares	
		31 March 2006 £1 each	31 March 2005 £1 each
S. Mulryan	Ballymore Properties (incorporated in Ireland)	12,935	12,935

Political and charitable contributions

The group made no political contributions during the year. The group made charitable contributions of £468,780 (2005 £193,469) during the year.

Fixed assets

In the opinion of the directors, there is no material difference between the market value of the land and buildings of the group included in fixed assets and the book values of these assets at 31 March 2006.

Post balance sheet events

No events affecting the group have taken place since the end of the financial year which requires disclosure in the financial statements.

Ballymore Properties Holdings Limited and subsidiaries

Directors' report (*continued*)

Auditor

In accordance with Section 384 of the Companies Act, 1985, a resolution for the re-appointment of KPMG as auditor of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



Sean Mulryan
Director



Brian Fagan
Director

27 June 2006

Ballymore Properties Holdings Limited and subsidiaries

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and 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 UK Accounting Standards

The financial statements are required by law to 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 year

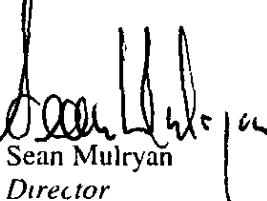
In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

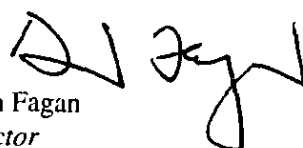
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act, 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The directors are also responsible for preparing a directors' report that complies with the Companies Act, 1985

On behalf of the board



Sean Mulryan
Director



Brian Fagan
Director



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of Ballymore Properties Holdings Limited and subsidiaries

We have audited the group and company financial statements of Ballymore Properties Holdings Limited and subsidiaries for the year ended 31 March 2006 which comprise the group profit and loss account, the group and company balance sheet, the group statement of total recognised gains and losses, the group cash flow statement and the related notes. 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 auditor's 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 auditor

As described in the statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 directors' report 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 directors' report and consider implications for our report if we become aware of any apparent misstatements within it.

Independent auditor's report to the members of Ballymore Properties Holdings Limited and subsidiaries (*continued*)

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 UK Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 31 March 2006 and of its results for the year then ended, and
- have been properly prepared in accordance with the Companies Act, 1985



Chartered Accountants
Registered Auditor

27 July 2006

Ballymore Properties Holdings Limited and subsidiaries

Statement of accounting policies

for the year ended 31 March 2006

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements

Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, as modified to include the revaluation of investment properties, and comply with financial reporting standards of the Accounting Standards Board

Basis of consolidation

The group financial statements consolidate the financial statements of the holding company and all its subsidiary undertakings made up to 31 March 2006

The reorganisation of Ballymore Properties Holdings Limited ("BPHL") and its subsidiaries in October 2003 was accounted for using the merger method of accounting (see note 21)

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Upon the acquisition of a business, fair values are attributed to the identifiable net assets acquired. Goodwill arising on acquisitions is dealt with as set out below

Joint ventures

Joint venture undertakings are those undertakings over which the group exercises control jointly with another party

Joint ventures are accounted for using the gross equity method. The group's share of the profits less losses of joint ventures are included in the consolidated profit and loss account. The group's interests in their net assets or liabilities are included as fixed asset investments in the consolidated balance sheet at an amount representing the group's share of the fair values of the net assets at acquisition plus the group's share of post acquisition retained profits or losses. Goodwill arising on acquisition of joint ventures is dealt with as stated below

The amount included in the consolidated financial statements in respect of the post acquisition profits of joint ventures are taken from their latest audited financial statements made up to the balance sheet date

Turnover

Turnover, which is stated net of VAT, represents the net value of development and residential sales contracts completed together with construction income, rental income and project management fees on an accruals basis. Turnover is attributable to the principal activity of the group

Ballymore Properties Holdings Limited and subsidiaries

Statement of accounting policies (continued) for the year ended 31 March 2006

Tangible fixed assets and depreciation

Investment properties

Investment properties are stated on the basis of open market value as defined by the Royal Institution of Chartered Surveyors. Investment properties are valued annually. Surpluses and deficits on valuation are taken directly to the revaluation reserve except for permanent deficits or their reversal which, on an individual property basis, are taken to the profit and loss account.

Profits and losses on the sale of investment properties included in the profit and loss account are calculated as the difference between the net sales proceeds and the carrying value.

No depreciation or amortisation is provided against investment properties which may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. These properties are not however held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary, in the directors' opinion, for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Construction in progress

Construction in progress comprises properties currently being developed stated at cost. Cost includes interest which is capitalised from date of commencement of development until the development is complete. Interest is calculated by reference to specific borrowings.

Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided on freehold land.

The charge for depreciation is calculated using the straight line method at rates estimated to charge to the profit and loss account the cost of each asset less its residual value over its estimated useful life. The following rates have been applied:

Freehold buildings	- 2% per annum
Office furniture and equipment	- 15% per annum
Motor vehicles	- 25% per annum
Computer equipment	- 50% per annum

Leased assets

Operating leases

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

Ballymore Properties Holdings Limited and subsidiaries

Statement of accounting policies *(continued)*

for the year ended 31 March 2006

Financial fixed assets

Investments in subsidiary and associate undertakings are shown at cost less provisions for impairment in value

Subsidiaries contributed by the parent company in the course of the group reorganisation were stated at the directors' assessment of their open market value less provision for any impairment in value

Goodwill

Purchased goodwill arising on the acquisition of a subsidiary, joint venture, associate or business represents the excess of the acquisition cost over the fair value of the identifiable net assets when they were acquired. Any excess of the aggregate of the fair value of the identifiable net assets acquired over the fair value of the acquisition cost is negative goodwill.

Purchased goodwill arising on acquisition is capitalised in the balance sheet and amortised over the estimated economic life of the goodwill.

Negative goodwill arising on such acquisitions is also capitalised and shown separately in the balance sheet and credited to the profit and loss account to match the periods in which the acquired non-monetary assets are recovered. Any excess over the non-monetary assets acquired is credited to the profit and loss account in the periods benefited.

Goodwill arising on the acquisition of joint ventures and associates is included in the carrying amount of the investments, while other goodwill is shown separately in the balance sheet.

Quoted investments

Investments are stated at the lower of cost and market value.

Stocks

Development properties

Development properties are properties acquired for future development and properties on which only initial development has commenced. These are stated at the lower of cost and net realisable value. Net realisable value is defined as the current selling price of the completed developments less all further costs to completion and selling costs as estimated by the directors.

Work in progress

Work in progress, which comprises properties currently being developed is stated at the lower of cost and net realisable value. Cost includes interest which is capitalised from date of commencement of development until the development is complete. Interest is calculated by reference to specific borrowings.

Work in progress represents costs incurred, net of amounts transferred to cost of sales, less foreseeable losses.

Profits on developments are not recognised until properties are structurally complete and legally transferred to the purchaser.

Ballymore Properties Holdings Limited and subsidiaries

Statement of accounting policies *(continued)*
for the year ended 31 March 2006

Stocks *(continued)*

Properties held for resale

Properties held for resale, on which no further development is required, are stated at the lower of cost and net realisable value. Net realisable value is defined as the current selling price less all further costs to completion and selling costs as estimated by the directors.

Taxation

Taxation is provided on taxable profits arising at current rates.

Deferred taxation is accounted for, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19 'Deferred Tax'. Provision is made at the tax rates which are expected to apply in the periods in which the timing differences reverse. Deferred tax assets are recognised only to the extent that it is considered more likely than not they will be recovered.

Interest payable

Interest payable, which has not been capitalised, is charged to the profit and loss account in the financial year in which it is incurred.

Foreign currencies

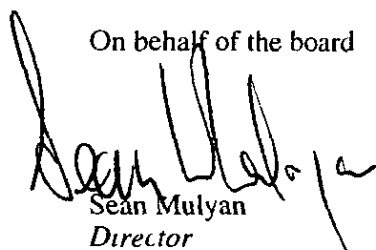
Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the rate on the balance sheet date or the contracted rate and any exchange differences are dealt with in the profit and loss account.

Ballymore Properties Holdings Limited and subsidiaries

Consolidated profit and loss account for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Turnover - continuing operations	1	62,260	136,854
Cost of sales		(39,501)	(96,605)
Gross profit		22,759	40,249
Administrative expenses		(9,801)	(14,928)
Other operating income/(expenses)		254	(63)
Group operating profit		13,212	25,258
Share of operating loss in joint venture	10	(569)	(206)
Total operating profit – continuing operations		12,643	25,052
Profit on disposal of subsidiary undertakings		-	558
Profit on ordinary activities before interest		12,643	25,610
Interest receivable and similar income	2	1,394	2,290
Interest payable and similar charges	3	(12,727)	(11,500)
Investment income	4	103	103
Profit on ordinary activities before taxation	5	1,413	16,503
Tax on profit on ordinary activities	6	(3,352)	(5,289)
(Loss)/profit on ordinary activities after taxation		(1,939)	11,214
Minority interest	23	(529)	(142)
(Loss)/profit for the financial year	19	(2,468)	11,072

On behalf of the board



Sean Mulyan
Director



Brian Fagan
Director

Ballymore Properties Holdings Limited and subsidiaries

Consolidated statement of total recognised gains and losses for the year ended 31 March 2006

	<i>Note</i>	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
(Loss)/profit for the financial year		(2,468)	11,072
Unrealised surplus on revaluation of investment properties	20	-	216
Total recognised gains and losses relating to the year		(2,468)	11,288

Consolidated note of historical cost profits and losses for the year ended 31 March 2006

There is no material difference between the results shown in the consolidated profit and loss account and the results calculated on an unmodified historical cost basis

Ballymore Properties Holdings Limited and subsidiaries

Consolidated balance sheet as at 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Fixed assets			
Tangible assets	9	216,395	150,612
Financial assets	10	5,500	6,068
		221,895	156,680
Current assets			
Stocks	11	204,236	88,261
Debtors	12	66,648	85,038
Investments	13	532	334
Cash at bank and in hand		34,849	8,668
		306,265	182,301
Creditors: amounts falling due within one year	14	(143,681)	(143,727)
Net current assets		162,584	38,574
Total assets less current liabilities		384,479	195,254
Creditors: amounts falling due after more than one year	15	(293,157)	(101,926)
Provisions for liabilities and charges	17	(1,310)	(1,477)
Net assets		90,012	91,851
Capital and reserves			
Called up share capital	18	100	-
Profit and loss account	19	53,184	55,652
Revaluation reserve	20	32,931	32,931
Other capital reserves	21	100	100
		86,315	88,683
Shareholders' funds - equity	22	86,315	88,683
Minority interest	23	3,697	3,168
		90,012	91,851

These financial statements were approved by the board of directors on 27 June 2006 and were signed on its behalf by

Sean Mulyan
Director

Brian Fagan
Director

Ballymore Properties Holdings Limited and subsidiaries

Consolidated cash flow statement for the year ended 31 March 2006

	<i>Note</i>	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Net cash (outflow)/inflow from operating activities	24	(48,482)	61,322
Returns on investments and servicing of finance	25	(17,942)	(13,647)
Taxation - corporation tax paid		(651)	(3,155)
Capital expenditure and financial investment	25	(63,793)	(10,241)
Net cash (outflow)/inflow before use of liquid resources and financing		(130,868)	34,279
Financing	25	157,049	(52,655)
Increase/(decrease) in cash in the year		26,181	(18,376)

Reconciliation of net cash flow to movement in net debt

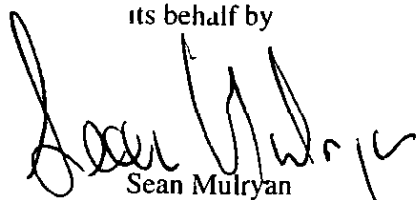
	<i>Note</i>	2006 £'000	2005 £'000
Increase/(decrease) in cash in the year		26,181	(18,376)
Cash outflow from change in debt financing	26	(156,949)	52,655
Change in net debt	26	(130,768)	34,279
Net debt at beginning of year	26	(163,296)	(197,575)
Net debt at end of year	26	(294,064)	(163,296)

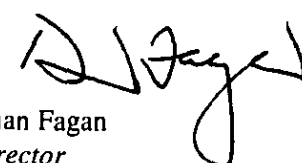
Ballymore Properties Holdings Limited and subsidiaries

Company balance sheet as at 31 March 2006

	Note	31 March 2006 £'000	31 March 2005 £'000
Fixed assets			
Financial assets	10	154,600	154,500
Current assets			
Debtors	12	-	5
Bank and cash		100	-
Total current assets		100	5
Creditors amounts falling due within one year	14	(100)	(5)
Net current assets		-	-
Total assets less current liabilities		154,600	154,500
Net assets		154,600	154,500
Capital and reserves			
Called up share capital	18	100	-
Profit and loss account	19	-	-
Capital reserve – capital contribution	21	154,500	154,500
Shareholders' funds - equity interests	22	154,600	154,500

These financial statements were approved by the board of directors on 27 June 2006 and were signed on its behalf by


Sean Mulryan
Director


Brian Fagan
Director

Ballymore Properties Holdings Limited and subsidiaries

Notes

forming part of the financial statements

1 Turnover

Turnover is analysed as follows -

	2006 £'000	2005 £'000
Sale of properties and construction income	50,187	126,908
Rental income and management fees	12,073	9,946
	<u>62,260</u>	<u>136,854</u>

All turnover is generated in the United Kingdom

2 Interest receivable and similar income

	2006 £'000	2005 £'000
Bank deposit interest	372	693
Interest on intercompany loans	1,022	1,597
	<u>1,394</u>	<u>2,290</u>

3 Interest payable and similar charges

	2006 £'000	2005 £'000
On loans wholly repayable other than by instalments within five years	20,000	15,154
Less Capitalised interest included in cost of sales/work in progress/fixed assets under construction	(7,273)	(3,654)
	<u>12,727</u>	<u>11,500</u>

4 Investment income

	2006 £'000	2005 £'000
Income from financial assets	103	103

5 Statutory and other information

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation	195	159
Directors' remuneration	-	-
Exchange losses/(gains)	225	(1,744)
	<u> </u>	<u> </u>
Auditor's remuneration - audit fees	65	60
- non audit fees	270	249
	<u> </u>	<u> </u>

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

6 Tax on profit on ordinary activities	2006 £'000	2005 £'000
Corporation tax at 30% (2005 30%)	2,631	5,289
Adjustment in respect of prior years	888	-
	<hr/> 3,519 <hr/>	<hr/> 5,289 <hr/>
Deferred taxation (note 17)		
Origination/reversal of timing differences	670	-
Adjustment in respect of previous years	(837)	-
	<hr/> (167) <hr/>	<hr/> - <hr/>
	<hr/> 3,352 <hr/>	<hr/> 5,289 <hr/>

The current tax charge for the year is higher than the standard rate of corporation tax. The differences are explained below

	2006 £'000	2005 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,413	16,503
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard Corporate tax rate in the UK of 30%	424	4,951
<i>Effects of</i>		
Expenses not deductible	(70)	250
Capital allowances	(67)	(101)
Other timing differences	2,344	-
Other items	-	(888)
Tax and losses carried forward	-	1,077
Adjustment in respect of prior year	888	-
	<hr/>	<hr/>
Total current tax charge	3,519	5,289
	<hr/>	<hr/>

Ballymore Properties Holdings Limited and subsidiaries

Notes (*continued*)

7 Staff numbers and costs

The average weekly number of employees employed within the group including executive directors, during the year was 101 (2005 104)

	2006	2005
Administration	47	44
Construction	54	60
	<hr/>	<hr/>
	101	104
	<hr/>	<hr/>

The aggregate payroll costs of employees were

	2006 £'000	2005 £'000
Wages and salaries	5,822	5,347
Social security costs	682	588
	<hr/>	<hr/>
	6,504	5,935
	<hr/>	<hr/>

8 Directors' remuneration and transactions

	2006 £'000	2005 £'000
<i>Directors' remuneration</i>		
Total emoluments	-	-
	<hr/>	<hr/>
Emoluments of the highest paid director	-	-
	<hr/>	<hr/>

Material interests of directors in contracts with the group

Persons connected with Mr Sean Mulryan completed on apartments at the New Providence Wharf development for a consideration of £2,047,000

Mr Brian Fagan completed on apartments at the New Providence Wharf development for a consideration of £2,887,000

These transactions will be put before the members of the company at the next annual general meeting for ratification

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

9 Tangible fixed assets

<i>Group</i>	Freehold investment properties £'000	Construction in progress £'000	Freehold buildings £'000	Office furniture, equipment, and motor vehicles £'000	Total £'000
<i>Cost or valuation</i>					
At beginning of year	143,511	4,874	2,261	934	151,580
Additions	44,203	21,640	-	135	65,978
Disposals	-	-	-	(16)	(16)
At end of year	187,714	26,514	2,261	1,053	217,542
<i>Cost</i>	-	26,514	2,261	1,053	29,828
<i>Valuation</i>	187,714	-	-	-	187,714
At end of year	187,714	26,514	2,261	1,053	217,542
<i>Depreciation</i>					
At beginning of year	-	-	264	704	968
Charge	-	-	46	149	195
Disposals	-	-	-	(16)	(16)
At end of year	-	-	310	837	1,147
<i>Net book value</i>					
At 31 March 2006	187,714	26,514	1,951	216	216,395
At 31 March 2005	143,511	4,874	1,997	230	150,612

An investment property is held by Vitely Limited, a 75% subsidiary. The minority shareholder in Vitely Limited is entitled to a finders fee in the event of a sale of the investment property. The property is stated at its market value less the estimated amount of the finders fee. The property was valued by Mr Ray Hardy, BSc MRICS, a director of the company, on an open market value basis on 31 March 2006 at £26,000,000.

The group's other investment properties were valued by Mr Ray Hardy, BSc MRICS, a director of the company, on an open market value basis on 31 March 2006 at £166,980,667.

The directors are satisfied that there is no material difference between the value at which the investment properties are included in the financial statements and their open market values at 31 March 2006.

The historical cost of the investment properties was £152,149,000 (2005 £107,947,000).

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. The maximum amount which could become payable in these circumstances is £11,112,676 (2005 £11,602,572). At present it is not envisaged that any tax will become payable in the foreseeable future.

The amount at which construction in progress is stated includes capitalised interest of £2,324,674 (2005 £386,454).

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

10 Financial fixed assets

	2006 £'000	2005 £'000
<i>Group</i>		
Investment in joint ventures (i)	1,361	1,930
Other investments (ii)	4,139	4,138
	<u>5,500</u>	<u>6,068</u>
 (i) Investment in joint ventures	 2006 £'000	 2005 £'000
Bishopsgate Goodsyards Limited (a)	1,361	1,930
Central Regeneration Limited Partnership (b)	-	-
	<u>1,361</u>	<u>1,930</u>

- (a) The group owns 1 ordinary share of £1 in Bishopsgate Goodsyards Limited, a property development company, which represents 50% of the issued shared capital at 31 March 2006
- (b) The group holds a 50% participation in Central Regeneration Limited Partnership, a property development entity, stated at a cost of £2

The investment in the joint ventures comprises.

	Shares of net assets £'000	Fair value adjustment £'000	Total £'000
At beginning of year	(452)	2,382	1,930
Share of loss for year	(569)	-	(569)
	<u>(1,021)</u>	<u>2,382</u>	<u>1,361</u>
At end of year	(1,021)	2,382	1,361

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

10 Financial fixed assets (continued)	2006 £'000	2005 £'000
The investment in net assets of the joint ventures comprises		
Share of gross assets		
Share of fixed assets	50	50
Share of current assets	279	54
	<hr/>	<hr/>
	329	104
Share of gross liabilities		
Liabilities due within one year	(1,350)	(556)
Liabilities due after one year	-	-
	<hr/>	<hr/>
	(1,350)	(556)
	<hr/>	<hr/>
	(1,021)	(452)
	<hr/>	<hr/>

The group and its joint venture partners have agreed that the partner will carry out pre development work on properties. The partners will share costs equally.

The group has given guarantees and undertakings in the normal course of business to joint venture partners regarding the performance and obligations of subsidiary undertakings

(ii) Other investments – unquoted investments	2006 £'000	2005 £'000
At beginning and end of year	4,139	4,138
	<hr/>	<hr/>

Unquoted investments includes 490 ordinary shares, equivalent to 49% of Clearstorm Limited, a property development company incorporated in the United Kingdom having its registered office at St Johns House, 5 South Parade, Summertown, Oxford OX2 7JL. On the basis of the agreement with the majority shareholder and Clearstorm the investment has been accounted for as a joint arrangement

Clearstorm Limited is in the process of developing a number of property sites and has incurred losses, pending the generation of revenues

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

10 Financial fixed assets (continued)

The group's attributable share of the gross assets and liabilities of Clearstorm Limited is

	£'000
Gross assets	50,000
Gross liabilities	(59,500)
	<hr/>
Net liabilities	(9,500)
	<hr/>

The group has provided against its share of the net liabilities as defined by the agreements between the group, Clearstorm Limited and its parent company

Unquoted investments includes 4,137,298 Cumulative Redeemable Preferences Shares of £1 each in Donwell Investment Limited, a property development company whose registered office is Ballymount House, Ballymount Road, Kingswood, Dublin 24

In April 2005, British Waterways Board appointed the group, together with Canary Wharf Group plc as its partner, for the development of Wood Wharf. The Wood Wharf Limited Partnership ("WWLP") has been established to oversee the development of an approximately 6.5 million sq ft (gross) mixed use scheme in which the group has a 25.0% effective interest. The group has subscribed £1,000 (50%) of equity share capital in Canary Wharf Partnership Limited, the partner in WWLP, which in turn has invested £500 (50%) in WWLP. The group has provided interest free long-term loans to fund the working capital requirements of the partnership, which are repayable out of development profits.

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

10 Financial fixed assets (continued)

<i>Company</i>	2006 £'000	2005 £'000
<i>Investments in subsidiary undertakings</i>		
At beginning of year	154,500	154,500
Additions in year	100	-
	<hr/>	<hr/>
At end of year	154,600	154,500
	<hr/>	<hr/>

<i>Subsidiary undertaking</i>	<i>Proportion held by company</i>	<i>Activity</i>
<i>Name</i>		
Ballymore Properties Limited	100%	Property development and investment company
Ballymore Commercial Limited	100%	Property investment company
Ballymore Projects Limited	100%	Property development company
Ballymore Properties (Plumbers Row) Limited	100%	Property development company
Domaine Developments Limited	100%	Property development and investment company
Landor (Dundee Wharf) Limited	90%	Property development and investment company
Landor Residential Limited	90%	Property development company
Ballymore Ontario Limited	90%	Property development and investment company
RT Group Developments (Snow Hill) Limited	100%	Property development company
SCI Boldcount	100%	Property investment company
St John's Square Co Limited	100%	Property investment company
Monomind Limited	100%	Property investment company
Kilopoint Limited	100%	Property investment company
Vitely Limited	75%	Property investment company
Headaid Limited	100%	Property investment company
Ballymore Properties (Lanark Square) Limited	100%	Property investment company
Bristol Exeter House Limited	100%	Property development and investment company
Osborne Trading Limited	100%	Investment holding company

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

10 Financial fixed assets (continued)

<i>Subsidiary undertaking</i>		
<i>Name</i>	<i>Proportion held by company</i>	<i>Activity</i>
Zelah Limited	100%	Investment holding company
Ballymore Limited	100%	Investment holding company
Metromaze Limited	100%	Investment holding company
Boldcount Limited	100%	Investment holding company
Ballymore (Express Wharf) Limited	100%	Non-trading company
Ballymore (Arrowhead) Limited	100%	Non-trading company
Ballymore Cornwall Street Limited	100%	Property investment company
Ballymore Developments Limited	100%	Investment holding company
Glossover Limited	100%	Non-trading company
Landor 2 Limited	90%	Non-trading company
Domaine Projects Limited	100%	Non-trading company
Domaine Properties Limited	100%	Non-trading company
Ballymore (Battersea Park Road) Limited	100%	Property investment company
Ballymore (Cuba Street) Limited	100%	Property development company
Cuba Street Limited	100%	Property development company
Ballymore Millharbour Limited	100%	Property development company
Ballymore Wood Wharf Holdings Limited	100%	Investment holding company
Ballymore (Wood Wharf) Limited	100%	Investment holding company
Ballymore Investments Limited	100%	Investment holding company

All companies other than as set out below are incorporated in the United Kingdom having their registered offices at St Johns House, 5 South Parade, Summertown, Oxford and operate in the United Kingdom

Osborne Trading Limited and Zelah Limited are incorporated in the Isle of Man. Their registered offices are at One Circular Road, Douglas, Isle of Man

The registered office of SCI Boldcount is 2 Avenue de Provence, 06002 Eze, France

Ballymore Properties Holdings Limited and subsidiaries

Notes (*continued*)

10 Financial fixed assets (*continued*)

Other undertakings

Name	Proportions held by		Activity
	company	subsidiary	
Bishopsgate Goodsynd Limited	-	50%	Property development company
Clearstorm Limited	-	49%	Property development company
Canary Wharf Partnership Limited	-	50%	Property development company

All shareholdings in subsidiary and other undertakings consist of ordinary shares. In the opinion of the directors the investments are worth at least the amount stated in the balance sheet.

11 Stocks	2006 £'000	2005 £'000
<i>Group</i>		
Development properties	58,470	40,340
Work in progress	144,567	46,722
Properties held for resale	1,199	1,199
	<hr/>	<hr/>
	204,236	88,261
	<hr/>	<hr/>

The amount at which work in progress is stated includes capitalised interest of £6,016,502 (2005 £2,196,413)

There are no material differences between the replacement cost of stock and the balance sheet amount

Ballymore Properties Holdings Limited and subsidiaries

Notes (*continued*)

12 Debtors	2006	2005
	£'000	£'000
<i>Group</i>		
<i>Due within one year</i>		
Trade debtors	3,373	1,664
Other debtors	2,685	733
Amounts due by parent and fellow subsidiaries	46,141	80,406
Amounts due by related parties	13,467	2,080
Prepayments and accrued income	982	155
	<hr/>	<hr/>
	66,648	85,038
	<hr/>	<hr/>
<i>Company</i>		
<i>Due within one year</i>		
Other debtors	-	5
	<hr/>	<hr/>
	2006	2005
	£'000	£'000
<i>Group</i>		
<i>Amounts due by related parties</i>		
Clearstorm Limited	1,587	1,416
Donwell Investments Limited	310	207
Bishopsgate Goodsynd Regeneration Limited	945	457
Canary Wharf Partnership Limited	10,625	-
	<hr/>	<hr/>
	13,467	2,080
	<hr/>	<hr/>
13 Investments (held as current assets)	2006	2005
	£'000	£'000
<i>Group</i>		
Listed investments	532	334
	<hr/>	<hr/>

At 31 March 2006 the market value of the listed investments was £532,302 (2005 £334,000)

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

14 Creditors: amounts falling due within one year	2006	2005
	£'000	£'000

Group

Bank loans and overdrafts (note 16)	36,073	70,353
Trade creditors	1,525	2,213
Accruals and deferred income	48,020	50,235
Amounts due to group companies	50,238	15,703
Other creditors	.	239
Taxation and social welfare	7,825	4,984
	<u>143,681</u>	<u>143,727</u>

Company

Amounts due to group companies	100	5
	<u>100</u>	<u>5</u>

15 Creditors: amounts falling due after more than one year	2006	2005
	£'000	£'000

Group

Bank loans and overdrafts (note 16)	292,840	101,611
Amounts due to group companies	317	315
	<u>293,157</u>	<u>101,926</u>

16 Bank borrowings

	Within one year £'000	Between one and two years £'000	Between two and five years £'000	Total £'000
Group				
Repayable other than by instalments				
Bank loans and overdrafts	36,073	-	292,840	328,913
	<u>36,073</u>	<u>-</u>	<u>292,840</u>	<u>328,913</u>

The bank loans and overdrafts are secured by fixed and floating charges over the assets of group undertakings and cross guarantees by certain group undertakings

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

17 Provision for liabilities and charges	2006	2005
	£'000	£'000

Deferred taxation

Group

At beginning of year	1,477	1,477
Origination/reversal of timing differences	670	-
Adjustment in respect of previous years	(837)	
	<u>1,310</u>	<u>1,477</u>

The deferred taxation provision arises in respect of accelerated capital allowances

Provision has been made in respect of all deferred taxation liabilities expected to crystallise in the future other than the following

	2006	2005
	£'000	£'000
On revaluation of investment properties (note 9)	11,113	11,603

18 Called up share capital	2006	2005
	£'000	£'000

Group and company

Authorised

100,000 (2005 1,000) ordinary shares of £1 each	100	1
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Allotted, called up and fully paid

100,000 (2005 1) ordinary share of £1 each	100	-
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Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

19 Reconciliation of consolidated profit and loss account	2006 £'000	2005 £'000
<i>Group</i>		
Profit and loss account at beginning of year	55,652	44,580
(Loss)/profit for the year retained by Ballymore Properties Holdings Limited	-	-
Subsidiaries	(2,468)	11,072
	<hr/>	<hr/>
Profit and loss account at end of year	53,184	55,652
	<hr/>	<hr/>

Company

A separate profit and loss account for Ballymore Properties Holdings Limited (the company) has not been presented because the conditions laid down in the Companies Act 1985 have been complied with. The company made neither a profit nor a loss in the financial year.

20 Revaluation reserve	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<i>Group and company</i>				
At beginning of year	32,931	32,715	-	-
Revaluation surplus	-	216	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	32,931	32,931	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

21 Other capital reserves	2006 £'000	2005 £'000
Capital contribution	154,500	154,500
Merger reserve - excess of value attributed to shares contributed over their nominal value	(154,500)	(154,500)
Other capital reserves	100	100
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

Group reorganisation

Ballymore Properties Holdings Limited ("BPHL") is a wholly owned subsidiary of Ballymore Holdings and Investments Limited, a company incorporated in Jersey. That company's parent is Ballymore Properties ("BP"), a company incorporated in Ireland.

On 20 October 2003, BP contributed the entire share capital of its wholly owned subsidiaries Osborne Trading Limited and Zelah Limited, two companies incorporated in the Isle of Man, to BPHL. The contribution was treated as a capital contribution at a valuation of £154.5m, based on the directors' assessment of the value of the principal asset of Osborne Trading Limited and Zelah Limited, which was their ownership of the entire share capital of Ballymore Properties Limited ("BPLUK"), a company incorporated in England and Wales.

On 20 October 2003, Ballymore Limited (formerly Craftview Limited), a wholly owned subsidiary of BPHL and a company incorporated in England and Wales, which had not previously traded, acquired the entire issued share capital of BPLUK from Osborne Trading Limited and Zelah Limited for a total consideration of £154.5m.

The reorganisation was accounted for as a merger as set out in Financial Reporting Standard No 6- *Acquisitions and Mergers*. Consequently, the consolidated financial statements of BPHL have been prepared on the basis of the merger method of accounting.

Merger Accounting:

- the assets and liabilities of BPLUK, Osborne Trading Limited, Zelah Limited and Ballymore Limited (which are effectively the assets and liabilities of BPHL and its subsidiaries) were incorporated in the consolidated financial statements as if the entities have always been one combined entity
- the merger reserve represents the difference between the nominal value of the shares in Osborne Trading Limited and Zelah Limited and the value attributed to the capital contribution

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

21 Other capital reserves (continued)

Notwithstanding the expectation of FRS 6 and Schedule 4A of the Companies Act, 1985 that a merger should involve an issue of shares, the reorganisation, which was effected by the capital contribution of shares held by a parent to a newly formed subsidiary, was accounted for using merger accounting, as the directors consider that this treatment results in a true and fair view. In arriving at this decision the directors took into account that the capital contribution by BP of the shares of its subsidiaries to BPHL

- did not result in any change to the relative shareholdings in the company or its subsidiaries,
- did not result in any cash leaving the group, or
- did not impact on any minority shareholding

Had acquisition accounting been utilised

- the assets and liabilities of the companies acquired, which are materially those of BPLUK would have been restated at their fair values, estimated to be £154.5m, and
- the merger reserve, as stated above at £154.4m, would not have arisen

22 Reconciliation of shareholders' funds

	2006 £'000	2005 £'000
Group		
Shareholders' funds at beginning of year	88,683	77,395
Total recognised gains and losses for the year	(2,468)	11,288
Share issue	100	-
	<hr/>	<hr/>
Shareholders' funds at end of year - equity	86,315	88,683
	<hr/>	<hr/>
Company		
Shareholders' funds at beginning of year	154,500	154,500
Total recognised gains and losses for the year	-	-
Share issue	100	-
	<hr/>	<hr/>
Shareholders' funds at end of year - equity	154,600	154,500
	<hr/>	<hr/>

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

23	Minority interest	2006	2005
	<i>- in relation to Vitely Limited</i>	£'000	£'000
	At start of year	3,168	3,026
	Share of profit	529	142
		<hr/>	<hr/>
	At end of year	3,697	3,168
		<hr/>	<hr/>
24	Reconciliation of operating profit to net cash inflow from operating activities		
		2006	2005
		£'000	£'000
	Group operating profit	13,212	25,258
	Depreciation charge	195	159
	(Write back)/write down of investments	(198)	82
	Profit on disposal of tangible fixed assets	(5)	-
	(Increase)/decrease in stocks net of transfer to investment properties	(110,640)	63,499
	Decrease/(increase) in debtors	18,341	(14,915)
	Increase/(decrease) in creditors	30,613	(12,761)
		<hr/>	<hr/>
	Net cash (outflow)/inflow from operating activities	(48,482)	61,322
		<hr/>	<hr/>

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

25 Analysis of cashflows for headings netted in the cash flow statement

	2006 £'000	2005 £'000
Returns on investments and servicing of finance		
Interest and similar income received	1,443	2,290
Interest and similar charges paid	(19,488)	(16,040)
Income from financial assets	103	103
Net cash outflow from returns on investment and servicing of finance	(17,942)	(13,647)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(63,797)	(10,241)
Disposal of tangible fixed assets	5	-
Purchase of financial assets	(1)	-
Net cash outflow from capital expenditure and financial investment	(63,793)	(10,241)
Financing		
Decrease in funds from related parties	-	(134)
Increase/(decrease) in borrowings	156,949	(52,521)
Increase in share capital	100	-
Net cash inflow/(outflow) from financing	157,049	(52,655)

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

26 Analysis of net debt

	As at 31 March 2005 £'000	Cashflow £'000	As at 31 March 2006 £'000
Bank deposits	8,668	26,181	34,849
Net funds	8,668	26,181	34,849
Bank loans due within one year	(70,353)	34,280	(36,073)
Bank loans due after one year	(101,611)	(191,229)	(292,840)
Debt	(171,964)	(156,949)	(328,913)
Net debt	(163,296)	(130,768)	(294,064)

27 Commitments and contingencies

There are ongoing commitments under operating leases for the hire of plant and equipment. Such commitments rarely exceed one month

Ballymore Properties Holdings Limited has issued performance undertakings in the normal course of business in respect of the activities of its subsidiaries.

The company, together with its subsidiaries has guaranteed the indebtedness of group companies to certain financial institutions. The indebtedness is secured by charges on the assets of the various group companies. The amounts outstanding in respect of guarantee facilities at 31 March 2006 was £305m (2005 £172m)

Ballymore Properties Holdings Limited and subsidiaries

Notes (continued)

28 Related parties and control

The company's parent company is Ballymore Properties Holdings and Investments Limited, a company incorporated in Jersey. That company's parent is Ballymore Properties, a company incorporated in the Republic of Ireland. The company was controlled by Mr S Mulryan throughout the period. The largest group in which the results of the company and its subsidiary undertakings are consolidated is that headed by Ballymore Properties.

Vitely Limited, a 75% subsidiary of the company, holds 4,137,298 Cumulative Redeemable Preference Shares of £1 each in Donwell Investments Limited, a company which is under the control of Mr Paddy Kelly, a director of Vitely Limited. Dividend income during the year in respect of this investment amounted to £103,432 (2005 £103,432). There is dividend income receivable from Donwell Investments Limited of £310,297 (2005 £206,875) at year end.

The company has availed of the exemption available in Financial Reporting Standard No 8 *Related Party Disclosures*, from disclosing transactions with its subsidiary companies.

Significant transactions with other group companies are as follows:

	2006 £'000	2005 £'000
Goods and services supplied to other group companies on normal trading terms	9,269	4,790
Goods and services purchased from other group companies on normal trading terms	67,099	-

The company provided services to Clearstorm Limited for a consideration of £7,828,000 (2005 £1,586,000).

Details of other related party transactions are disclosed throughout the financial statements as they arise.

29 Post balance sheet events

There are no significant post balance sheet events which would materially affect the financial statements.

30 Approval of financial statements

The directors approved the financial statements on 27 June 2006.