

Registered number 06339103

Castle 1 Limited
Annual report and financial statements
for the year ended 31 March 2011

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Castle 1 Limited

Annual report and financial statements

for the year ended 31 March 2011

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Castle 1 Limited

Directors and advisers for the year ended 31 March 2011

Directors

D Blunt
J Thirlwall
C Bovis
P Hindley

Company secretary

R Brandon

Registered office

The Waterfront
Lakeside Boulevard
Doncaster
DN4 5PL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 East Parade
Sheffield
S1 2ET

Bankers

Bank of Scotland
Level Three
New Uberior House
11 Grey Street
Edinburgh
EH3 9BN

Castle 1 Limited

Directors' report for the year ended 31 March 2011

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2011

Principal activities

The company's principal activity during the year was as intermediate holding company of Keepmoat Limited

Review of business and future development

Both the level of business and the year end financial position were satisfactory. A similar level of activity is expected to be sustained in the foreseeable future.

Results and dividends

The profit and loss account for the year is set out on page 6. No dividend was paid during the year (2010: nil).

Principal risks and uncertainties

The principal risks and uncertainties relating to Castle 1 Limited are managed as part of the Keepmoat group's risk management procedures at a group level. For this reason, the company's directors believe that discussion of the group's risks and analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the group, which include those of the company and the development, performance and position of the company, are discussed in the annual report of Lakeside 1 Limited.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

D Blunt
J Thirlwall
C Bovis
P Hindley

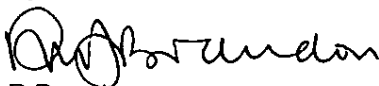
Disclosure of information to the auditors

All directors, at the date this report is approved, confirm that, as far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and have been deemed to be reappointed for the next financial year.

By order of the Board



R Brandon

Company Secretary

Castle 1 Limited

Statement of directors' responsibilities

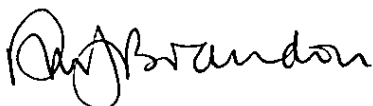
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

By order of the Board



R Brandon

Company Secretary

Castle 1 Limited

Independent auditors' report to the members of Castle 1 Limited

We have audited the financial statements of Castle 1 Limited for the year ended 31 March 2011 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Castle 1 Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Ian Marsden (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield

8 September 2011

Castle 1 Limited

Profit and loss account for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Administrative expenses		(135)	(462)
Operating loss	3	(135)	(462)
Income from shares in group companies		29,350	42,000
Profit on ordinary activities before interest and taxation		29,215	41,538
Interest payable and similar charges	4	(90,295)	(83,592)
Loss on ordinary activities before taxation		(61,080)	(42,054)
Tax on loss on ordinary activities	5	17,244	18,854
Loss for the financial year	13	(43,836)	(23,200)

All items dealt with in arriving at operating loss above relate to continuing operations

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the loss for the years stated above and their historical cost equivalents

Castle 1 Limited

Reconciliation of movements in shareholders' funds for the year ended 31 March 2011

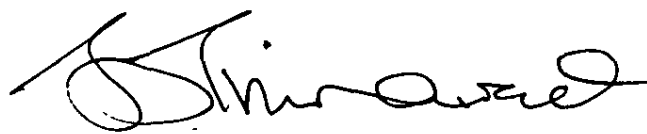
	2011	2010
	£'000	£'000
Retained loss for the financial year	(43,836)	(23,200)
Opening shareholders' deficit at 1 April 2010	(192,158)	(168,958)
Closing shareholders' deficit at 31 March 2011	(235,994)	(192,158)

Castle 1 Limited

Balance sheet as at 31 March 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	6	684,990	684,990
Current assets			
Debtors	7	17,357	18,862
		17,357	18,862
Creditors amounts falling due within one year	8	(90,646)	(91,142)
Net current liabilities		(73,289)	(72,280)
Total assets less current liabilities		611,701	612,710
Creditors: amounts falling due after more than one year	9	(847,695)	(804,868)
Net liabilities		(235,994)	(192,158)
Capital and reserves			
Called up share capital	12	-	-
Profit and loss reserve	13	(235,994)	(192,158)
Total shareholders' deficit		(235,994)	(192,158)

The financial statements on pages 6 to 15 were approved by the board of directors on
and were signed on its behalf by



J Thirlwall
Director

8/9/2011

Registered number 06339103

Castle 1 Limited

Statement of accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of preparation – going concern

The company has made a loss on ordinary activities before taxation of £61,080,000 for the year ended 31 March 2011 (2010 £42,054,000) and at that date its net liabilities were £235,994,000 (2010 £192,158,000). This is stated after charging accrued interest costs of £46,716,000 (2010 £39,307,000). The directors have prepared the financial statements on a going concern basis as the company is an intermediate investment holding vehicle which will continue to finance its ongoing cash interest costs through funding provided by its subsidiaries, which are profitable. Furthermore, the parent undertaking has indicated that it will not seek repayment of amounts due to it, totalling £155,294,000 (2010 £155,444,000) for a period of at least one year from the date of signing the financial statements.

Investments

Investments in subsidiaries and associated undertakings are shown at cost less any amounts written off for permanent diminution in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Debt issue costs

Debt issue and related costs are deducted from the initial capital value of the debt and amortised evenly over the life of the respective debt instruments, with the amortisation included as an interest cost.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

A cash flow statement has not been prepared as the company is a wholly owned subsidiary of Lakeside 1 Limited, which presents a consolidated cash flow statement in its financial statements in accordance with FRS 1 (revised 1996).

Related party transactions

As the company is a wholly owned subsidiary of Lakeside 1 Limited, a company incorporated in England, it has not disclosed details of transactions with other Lakeside 1 Limited group companies by virtue of the exemption contained in paragraph 3 of FRS 8.

Consolidated financial statements

As permitted by Section 400 of the Companies Act 2006, Castle 1 Limited does not prepare consolidated accounts as its results are fully consolidated in the financial statements of Lakeside 1 Limited.

Castle 1 Limited

Notes to the financial statements for the year ended 31 March 2011

1 Employee information

The company did not have any employees during the year (2010 nil)

2 Directors' emoluments

The emoluments of the directors, D Blunt, J Thirlwall, C Bovis and P Hindley, have been borne by the parent undertaking and are not recharged

3 Operating loss

	2011 £'000	2010 £'000
Operating loss is stated after charging		
Auditors' remuneration - audit services	-	7

Auditors' remuneration has been borne by the parent undertaking in the current year

4 Interest payable and similar charges

	2011 £'000	2010 £'000
Amortisation of loan issue costs	(2,487)	(2,487)
Interest payable on bank loans	(87,808)	(81,105)
Interest and similar charges payable	(90,295)	(83,592)

Castle 1 Limited

5 Tax on loss on ordinary activities

	2011 £'000	2010 £'000
Current tax		
UK corporation tax on loss for the year at 28% (2010 28%)	(15,759)	(18,854)
Adjustments in respect of prior periods	(1,485)	-
	(17,244)	(18,854)

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK at 28% (2010 28%) The differences are explained below

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	(61,080)	(42,054)
Loss on ordinary activities multiplied by the standard rate in the UK 28% (2010 28%)	(17,102)	(11,775)
Effects of		
Expenses not deductible for tax	(5,554)	(11,679)
Other timing differences	6,897	4,600
Adjustment to tax charge in respect of prior periods	(1,485)	-
Current tax credit	(17,244)	(18,854)

Factors affecting current and future tax charges

As a result of the Finance Act (No 2) 2010 enacted on 20 July 2010 the main rate of a UK corporation tax was amended from 28% to 27% Subsequent to this, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011

Subsequent to the year end the main rate of corporation tax was reduced from 26% to 25% as of 1 April 2012, being substantively enacted on 5 July 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The impact of proposed changes is not expected to be material

Castle 1 Limited

6 Investments

Investments in subsidiary undertakings £'000

Cost

At 1 April 2010 and 31 March 2011	790,231
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Impairment

At 1 April 2010 and 31 March 2011	(105,241)
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Net book value

At 1 April 2010 and 31 March 2011	684,990
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At 31 March 2009 an impairment was charged to write down the value of the investment to its value in use in accordance with FRS 11. The value in use is determined by discounting future net cash flows of the underlying business of Keepmoat Homes Limited. The directors have reassessed the carrying value as at 31 March 2011.

The directors believe that the carrying value of the investments is supported by their underlying net assets. In regards to Evolve Built for Life Limited, which is in a net liabilities position, the Keepmoat group is committed to supporting the joint venture until such time that it ceases to operate.

Subsidiary undertakings

The principal subsidiaries are as follows:

Name of company	Principal activities	Shareholding
Keepmoat Ltd	Intermediate Holding Company	100%

The company owns the ordinary share capital of this subsidiary.

In addition, the company has the following principal indirectly owned subsidiaries:

Name of company	Principal activities	Shareholding
Keepmoat Property Ltd	Property Development	100%
Keepmoat Regeneration Ltd	Intermediate Holding Company	100%
Keepmoat Homes Ltd	House Building	100%
Bramall Construction Ltd	Housing Regeneration	100%
Frank Haslam Milan & Co Ltd	Housing Regeneration	100%
Keepmoat Site Services Ltd	Hire of site accommodation for group use	100%
Force Solutions Ltd	Investment holding company	100%
Milnerbuild Limited	Maintenance, improvement, refurbishment and management of homes	93%
Evolve Built for Life Ltd	Manufacture of modular units	55%

The company owns the ordinary share capital and redeemable preferred ordinary share capital of the above indirectly owned subsidiaries.

All of the above companies are incorporated in Great Britain.

Castle 1 Limited

7 Debtors

	2011	2010
	£'000	£'000
Other debtors	11	8
Amounts due from group undertakings	17,250	18,784
Amounts owed by related parties (note 14)	96	70
	17,357	18,862

Amounts due from group undertakings are unsecured, interest free and repayable greater than one year

8 Creditors – amounts falling due within one year

	2011	2010
	£'000	£'000
Bank overdrafts	90,586	91,135
Trade creditors	60	-
Accruals	-	7
	90,646	91,142

The bank overdraft is repayable on demand and bears interest at 2.5% above LIBOR. Amounts due to parent and group undertakings are unsecured, interest free and repayable on demand.

Amounts due to parent and group undertakings are unsecured, interest free and repayable greater than one year.

9 Creditors – amounts falling due after more than one year

	2011	2010
	£'000	£'000
Bank loans (note 10)	692,097	649,162
Amounts owed to parent undertakings	155,294	155,444
Amounts owed to subsidiary undertakings	304	262
	847,695	804,868

Amounts due to parent and group undertakings are unsecured, interest free and repayable greater than one year.

Castle 1 Limited

10 Loans and other borrowings

	2011 £'000	2010 £'000
Bank overdrafts	90,586	91,135
Bank term loans	371,998	376,791
Bank mezzanine loan	80,976	78,298
Bank subordinated loan	247,823	205,261
Amounts due to group undertakings	155,598	155,706
Total loans and other borrowings	946,981	907,191
Unamortised issue costs	(8,701)	(11,188)
Net loans and other borrowings	938,280	896,003
Maturity of financial liabilities		
In less than one year	90,586	246,841
Between two and five years	371,998	376,791
In more than five years	484,397	283,559

Loans and other borrowings are stated net of unamortised issue costs of £8,701,000 (2010 £11,188,000). The facilities were entered into on 16 August 2007 when amounts were drawn down to fund the acquisition of Keepmoat Limited. These costs are allocated to the profit and loss account over the term of the facilities. Interest costs are expensed to the profit and loss account on an accruals basis. In relation to certain debt instruments, interest costs accumulate over the life of the loan and are repaid on final repayment of the relevant loan, as described below. The total amount of interest accrued at 31 March 2011, which is included in the loan amounts included above, is £137,415,000 (2010 £90,699,000).

The borrowings are analysed as follows -

Term loan A, £158,099,000 (2010 £160,136,000) bears interest at 3% above LIBOR. Interest is payable quarterly in arrears. The loan is repayable in full in 2013.

Term loan B, £158,099,000 (2010 £160,136,000) bears interest at 3.5% above LIBOR. Interest is payable quarterly in arrears. The loan is repayable in full in 2014.

Second lien term loan, £55,800,000 (2010 £56,519,000) bears interest at 5% above LIBOR. Interest is payable quarterly in arrears. The loan is repayable in full in 2015.

Mezzanine, £80,976,000 (2010 £78,298,000) bears both cash interest at 3.5% above LIBOR and interest of 5.25% which accumulates over the life of the loan. The accumulated interest is due for repayment along with the original capital, in 2016.

Under an interest rate swap LIBOR has been fixed at 6.03% for a total of £399,000,000 (2010 £399,000,000). The fair value of this interest rate swap contract was a negative £27,323,428 (2010

Castle 1 Limited

£42,913,249) The fair value of the interest rate swap contract reflects the differential between contracted interest rates and current market rates

Junior subordinated loan A, £247,823,000 (2010 £205,261,000) bears interest at 13.75% above LIBOR. LIBOR has been fixed at 5.99% for the full amount of the loan until the expiry of the loan in 2017. Interest accumulates over the lifetime of the loan and is due for repayment, along with the original capital, in 2017.

Bank loans and overdrafts are secured by a fixed charge over freehold land and buildings and a floating charge over the other assets of the group and are subject to cross guarantees with other group companies.

11 Deferred tax

No deferred tax asset has been recognised in respect of losses of £12,818,000 (2010 £9,082,000) carried forward, as management are of the opinion that the losses will not be utilised and as such any asset recognised will not be recovered in the future.

12 Called up share capital

	2011 £	2010 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
1 ordinary share of £1	1	1

13 Profit and loss reserve

	£'000
At 1 April 2010	(192,158)
Loss for the financial year	(43,836)
At 31 March 2011	(235,994)

14 Related party disclosures

During the year the company sold tax losses to Durham Villages Regeneration Limited (a Joint Venture of Keepmoat Limited, a subsidiary of Castle 1 Limited) for £25,757 (2010 £70,311). The amount outstanding at year end was £96,068 (2010 £70,311).

15 Contingent liabilities

The company has given cross guarantees in respect of its own bank borrowings and the bank borrowings of Lakeside 1 Limited, the ultimate holding company. At 31 March 2011 borrowings covered by both these guarantees amounted to £705,994,000 (2010 £863,126,000). The

Castle 1 Limited

guarantees are in the form of a fixed charge over freehold land and buildings and a floating charge over its other assets

16 Ultimate parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Lakeside 1 Limited, a company registered in England and Wales

Lakeside 1 Limited is regarded by the directors of the company as the company's ultimate parent company. Lakeside 1 Limited is the parent undertaking of the only group in which the results of the company are consolidated

The consolidated financial statements of Lakeside 1 Limited may be obtained from The Secretary, Keepmoat Group, The Waterfront, Lakeside Boulevard, Doncaster, DN4 5PL

The directors do not believe there to be one ultimate controlling party