

TERRAPIN LIMITED
FINANCIAL STATEMENTS
FOR THE 53 WEEKS ENDED
2 OCTOBER 2005



Terrapin Limited

Financial Statements

For the 53 weeks ended 2 October 2005

Company registration number: 687831

Registered office: South House
Bond Avenue
Milton Keynes
MK1 1JJ

Directors: M P Holiday
P Howlett White
A G Lucas
D H Smith
N S Whitehouse

Secretary: M P Holiday

Bankers: Lloyds TSB Bank plc
Central Milton Keynes

Solicitors: Fennemores
Central Milton Keynes

Auditors: Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Central Milton Keynes

Terrapin Limited

Financial Statements

For the 53 weeks ended 2 October 2005

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Report of the Directors

The directors present their report together with the financial statements for the 53 weeks ended 2 October 2005.

Principal activity

The company is principally engaged in the design and construction of buildings and the manufacture of building components for sale, lease and hire.

Results and dividends

The profit for the period amounted to £696,000 (2004: £534,000). The directors do not recommend payment of a dividend and the profit has been transferred to reserves.

Business review

The company achieved a turnover only marginally below the record figure of the previous year and the profitability level was also consistent.

The project for the single living accommodation modules for the Ministry of Defence at Colchester provided the basis for an increase in factory production during the year. At the request of the Main Contractor the programme has been shortened and further accommodation ordered. We are meeting these new demands. The year has also seen the successful completion of two major hospital projects where we have provided flexibility to accommodate change whilst constructing specialist clinical spaces. While many existing building hire contracts were extended, there were few new opportunities to hire the highly serviced buildings which we have successfully provided in the past.

An emphasis on training and improving the skills base has continued, as has new recruitment at a senior level. This has improved the company structure for the future.

With the continuation of the Colchester contract providing a level of stable production, plus new projects from our core markets providing increased activity, the forthcoming year is looking favourable.

Research and development

Research and development work during the year followed the pattern of recent years. The company's new cladding product has been introduced and is being used on selected projects.

Report of the Directors (continued)

Directors

The directors in office at the end of the period are listed below. All served throughout the period with exceptions noted below:

M P Holiday
T Mason (resigned 17 October 2005)
R Russo (resigned 28 October 2005)
D H Smith
N S Whitehouse
P Howlett White (appointed 19 April 2005)
A G Lucas (appointed 6 June 2005)

N S Whitehouse retires by rotation and, being eligible, offers himself for re-election at the AGM when the appointment of P Howlett White and A G Lucas will be confirmed.

D N Varley was a director of the company until his death on 10 August 2005.

No director had any interest in the shares of the company at any time during the period.

The interests of the directors who are also directors of the parent undertaking are disclosed in that company's financial statements. The interests of other directors in the shares of the parent undertaking are as follows:

	Ordinary shares of £1 each	
	2005	2004
M P Holiday	100	100
T Mason	50	50
R Russo	-	-
D H Smith	-	-
A G Lucas	-	-
P Howlett White	-	-

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Terrapin Limited

Report of the Directors (continued)

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



M P Holiday
Director

10 February 2006

Report of the Independent Auditors

to the members of Terrapin Limited

We have audited the financial statements of Terrapin Limited for the period ended 2 October 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with applicable law and United Kingdom accounting standards 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 United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the report of the directors, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 of the state of the company's affairs as at 2 October 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes

10 February 2006

Principal Accounting Policies

For the 53 weeks ended 2 October 2005

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company are set out below. They have remained unchanged from the previous period.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

In the case of long term contracts, turnover reflects the contract activity in the period.

Operating lease income is taken to turnover in equal monthly instalments over the period of hire and amounts received in advance attributable to the subsequent accounting period are treated as deferred income.

Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation. Depreciation is calculated to write down the cost or valuation of all tangible fixed assets other than freehold land and investment properties by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Motor vehicles	25%
Furniture and equipment	20% - 33%
Plant and machinery	10% - 20%

Components for hiring

Components and building units for hiring are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of a unit by equal monthly instalments over the estimated useful life of each of its principal components.

Rehabilitation costs incurred in preparing components and building units for hire and the associated installation costs are capitalised at cost and amortised on a straight line basis over the period of hire.

Site restoration costs, including the cost of dismantling the units, are capitalised. These costs are written off over the period of the hire contract.

Research and development

Research and development expenditure is charged to profits in the period in which it is incurred.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

Principal Accounting Policies

For the 53 weeks ended 2 October 2005

Long term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover.

Long term contract balances included in stocks are stated at cost after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Leased assets

Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account over the periods of the leases and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

Retirement benefits

Defined contribution pension scheme

The pension costs charged against operating profits are contributions payable to the scheme in respect of the accounting period.

Cashflow statement

The directors have taken advantage of the exemption from preparing a cashflow statement, which is available to a wholly owned subsidiary undertaking, where the parent publishes full consolidated accounts.

Terrapin Limited

Profit and Loss Account

For the 53 weeks ended 2 October 2005

	Note	2005 £'000	2004 £'000
Turnover	1	28,309	29,050
Cost of sales		<u>(23,833)</u>	<u>(24,172)</u>
Gross profit		4,476	4,878
Administrative expenses		<u>(3,783)</u>	<u>(4,156)</u>
Operating profit		693	722
Net interest	2	<u>(11)</u>	<u>(36)</u>
Profit on ordinary activities before taxation	1	682	686
Tax on profit on ordinary activities	4	<u>14</u>	<u>(152)</u>
Profit for the financial period, transferred to reserves	15	<u><u>696</u></u>	<u><u>534</u></u>

There were no recognised gains or losses other than the profit for the financial period.

All of the company's activities are classified as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

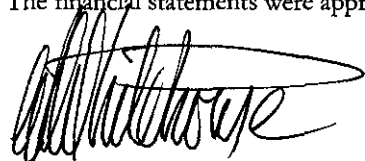
Terrapin Limited

Balance Sheet

As at 2 October 2005

	Note	2 October 2005		26 September 2004	
		£'000	£'000	£'000	£'000
Fixed assets					
Components for hiring	5		2,755		3,546
Other tangible assets	6		474		378
			<u>3,229</u>		<u>3,924</u>
Current assets					
Stocks	7	2,590		1,908	
Debtors – due after more than one year	8	324		327	
Debtors – due within one year	8	7,311		7,716	
Cash at bank and in hand		592		159	
		<u>10,817</u>		<u>10,110</u>	
Creditors: amounts falling due within one year	9	<u>(5,516)</u>		<u>(6,102)</u>	
Net current assets			<u>5,301</u>		<u>4,008</u>
Total assets less current liabilities			<u>8,530</u>		<u>7,932</u>
Creditors: amounts falling due after more than one year	10	<u>(165)</u>		<u>(223)</u>	
Provisions for liabilities and charges	12	<u>(754)</u>		<u>(794)</u>	
			<u>(919)</u>		<u>(1,017)</u>
			<u>7,611</u>		<u>6,915</u>
Capital and reserves					
Called up share capital	14	500		500	
Profit and loss account	15	7,111		6,415	
Shareholders' funds	16	<u>7,611</u>		<u>6,915</u>	

The financial statements were approved by the Board of Directors on 10 February 2006.



N S Whitehouse

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the 53 weeks ended 2 October 2005

1. Turnover and profit on ordinary activities before taxation

In the opinion of the directors there is one class of business as described in the report of the directors. All sales were made within the United Kingdom.

The profit on ordinary activities is stated after:

	2005 £'000	2004 £'000
Auditors remuneration		
Audit services	35	34
Depreciation and amortisation		
Components for hiring	1,175	1,259
Other tangible fixed assets	136	123
Hire of plant and machinery	20	11
Other operating lease rentals	550	499

Turnover includes income of £2,707,000 (2004: £2,840,000) in respect of operating leases.

2. Net interest

	2005 £'000	2004 £'000
Other interest receivable	(26)	-
Interest payable on bank loans and overdrafts	27	36
Interest payable on hire purchase and finance leases	10	-
Net interest	11	36

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

3. Directors and employees

Staff costs during the year were as follows:

	2005 £'000	2004 £'000
Wages and salaries	3,064	2,686
Social security costs	325	248
Other pension costs	320	285
	3,709	3,219

The average number of employees of the company during the period was:

	2005 Number	2004 Number
Administrative	75	73
Production	80	61
	155	134

The company is a member of a funded group defined benefit pension scheme and a defined contribution group personal pension scheme. The company accounts for the group defined benefit scheme as a defined contribution scheme as it is unable to identify its share of the underlying assets and liabilities. The financial statements of the holding company, Terrapin International Limited, contain details of the actuarial valuation of the group defined benefit scheme.

The group defined benefit pension scheme became a fully paid up scheme on 31 July 2000.

Remuneration in respect of directors was as follows:

	2005 £'000	2004 £'000
Emoluments	257	213
Pension contributions to money purchase pension schemes	89	55
	346	268

During the period 5 directors (2004: 4) participated in a defined contribution pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2005 £'000	2004 £'000
Emoluments	63	59
Pension contributions to money purchase pension schemes	41	25
	104	84

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

4. Tax on profit on ordinary activities

The taxation (credit)/charge is based on the result for the period and is made up as follows:

	2005 £'000	2004 £'000
UK corporation tax at 30%	65	20
Adjustment in respect of prior periods	1	(148)
Total current tax	66	(128)
Origination and reversal of timing differences		
- current period	40	130
- in respect of prior periods	(120)	150
Total deferred tax	(80)	280
Tax on profit on ordinary activities	(14)	152

The tax assessed for the period is different from the standard rate of UK corporation tax of 30%. The differences are explained as follows:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30%	205	206
Effect of:		
Expenses not allowable for tax purposes	9	8
Capital allowances for the period in excess of depreciation	(28)	(106)
R&D tax credit	(41)	(17)
Marginal relief adjustment	(9)	(9)
Group relief	(59)	(35)
Other timing differences	(12)	(27)
Adjustment to tax charge of prior periods	1	(148)
Current tax charge/(credit) for period	66	(128)

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

5. Components for hiring

	Total £'000	Components and building units £'000	Site restoration costs £'000
Cost			
At 27 September 2004	12,567	11,773	794
Additions	404	307	97
Disposals	(1,663)	(1,527)	(136)
At 2 October 2005	11,308	10,553	755
Accumulated depreciation			
At 27 September 2004	9,021	8,428	593
Provided in the period	1,175	1,064	111
Eliminated on disposals	(1,643)	(1,507)	(136)
At 2 October 2005	8,553	7,985	568
Net book amount at 2 October 2005	2,755	2,568	187
Net book amount at 26 September 2004	3,546	3,345	201

6. Other tangible fixed assets

	Total £'000	Furniture and equipment £'000	Motor vehicles £'000	Plant and machinery £'000
Cost				
At 27 September 2004	1,038	322	129	587
Additions	232	50	27	155
Disposals	(3)	-	-	(3)
At 2 October 2005	1,267	372	156	739
Accumulated depreciation				
At 27 September 2004	660	203	78	379
Provided in the period	136	78	22	36
Eliminated on disposal	(3)	-	-	(3)
At 2 October 2005	793	281	100	412
Net book amount at 2 October 2005	474	91	56	327
Net book amount at 26 September 2004	378	119	51	208

Included within the net book value of £474,000 is £89,000 (2004: £nil) relating to assets held under finance lease and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £7,000 (2004: £nil).

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

7. Stocks

	2005 £'000	2004 £'000
Long-term contract balances	2,047	1,511
Raw materials and consumables	467	352
Short term work in progress	-	4
Finished goods	76	41
	2,590	1,908

8. Debtors

	2005 £'000	2004 £'000
Amounts falling due after more than one year		
Deferred tax	324	327
	324	327

Amounts falling due within one year

Trade debtors	2,755	4,174
Amounts owed by group undertakings	4,163	2,963
Amounts recoverable on contracts	150	217
Other debtors	44	83
Corporation tax recoverable	-	148
Deferred tax	116	33
Prepayments and accrued income	83	98
	7,311	7,716

9. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Secured loan	35	35
Block discounting loan	85	104
Trade creditors	1,811	2,204
Corporation tax	70	-
Social security and other taxes	349	376
Amounts due under finance leases and hire purchase	17	-
Other creditors	8	-
Accruals	2,159	2,081
Deferred income	982	1,302
	5,516	6,102

The block discounting loan has been repayable by monthly instalments over 6 years and bears interest at 8.75%. (in the last year) The block discounting loan is secured on specific hire contracts.

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

10. Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Secured loan	105	139
Block discounting loan	-	84
Amounts due under finance leases and hire purchase	60	-
	165	223

The secured loan is repayable by quarterly instalments over 20 years ending in 2009 and bears interest at 11.25%. The loan is secured by a fixed charge over specific components for hiring.

11. Borrowings

Borrowings are repayable as follows:

	2005 £'000	2004 £'000
Within one year		
Secured loan	35	35
Block discounting loan	85	104
Amounts due under finance leases and hire purchase	17	-
After one and within two years		
Secured loan	35	35
Block discounting loan	-	84
Amounts due under finance leases and hire purchase	19	-
After two and within five years		
Secured loan	70	104
Block discounting loan	-	-
Amounts due under finance leases and hire purchase	41	-
	302	362

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

12. Provisions for liabilities and charges

	Return and dismantling provision £'000
At 27 September 2004	794
Provided during the period	97
Utilised during the period	(88)
Released during the period	(49)
At 2 October 2005	<u><u>754</u></u>

Return and dismantling provision relates to the costs that will be incurred in dismantling and returning components at the termination of each hire contract. £387,000 (2004: £407,000) of the period end provision relates to costs that are expected to be incurred within one year. The remaining £367,000 (2004: £387,000) is expected to be incurred between one and ten years. The timing of these costs are calculated on the hire period of each contract at the balance sheet date. Any future changes in the hire contract will impact the timing of those transfers of economic benefit.

13. Deferred taxation

Deferred taxation is provided for in full as follows:

	Amount provided (Asset)	
	2005 £'000	2004 £'000
Accelerated capital allowances	440	(360)

14. Share capital

	2005 and 2004 £'000
Authorised, allotted, called up and fully paid Ordinary shares of £1 each	<u><u>500</u></u>

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

15. Profit and loss account

	£'000
At 27 September 2004	6,415
Profit for the period	696
At 2 October 2005	<u>7,111</u>

16. Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit for the financial period	696	534
Shareholders' funds at 27 September 2004	6,915	6,381
Shareholders' funds at 2 October 2005	<u>7,611</u>	<u>6,915</u>

17. Capital commitments

The company had capital commitments of £100,000 at 2 October 2005 (26 September 2004: £nil).

18. Contingent liabilities

The company has performance bonds outstanding at the period end with a value of £1,556,000 (2004: £1,985,000).

There is a group VAT registration in place in which Terrapin Limited is joint and severally liable for the group VAT liability. At the end of the year the liability amounts to £274,000 (2004: £29,000).

19. Leasing commitments

Operating lease payments amounting to £545,000 (2004: £598,000) are due within one year. The leases to which these amounts relate expire as follows:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	-	22	-	20
Between one and five years	445	78	392	93
	<u>445</u>	<u>100</u>	<u>392</u>	<u>113</u>

Notes to the Financial Statements (continued)

For the 53 weeks ended 2 October 2005

20. Transactions with related parties

As a wholly owned subsidiary of Terrapin International Limited, the company is exempt from the requirements of FRS8 to disclose the transactions with other members of the group headed by Terrapin International Limited.

During the year the company incurred and recharged costs amounting to £3,758 (2004: £136,624) to Advance Housing Limited, a company in which its parent, Terrapin International Limited, owns 20% of the issued share capital. At 2 October 2005, the amount owed by Advance Housing Limited was £nil (2004: £166,541).

21. Ultimate holding company and controlling related party

The ultimate holding company and controlling related party is Terrapin International Limited, a company registered in England and Wales.

The largest and smallest group of companies for which accounts are prepared is headed by Terrapin International Limited. Copies of the group accounts can be obtained from the registered office, Bond Avenue, Bletchley, Milton Keynes, MK1 1JJ.