TERRAPIN LIMITED

FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED

1 OCTOBER 2006

Company number 687831

Terrapin Limited

Financial Statements

For the 52 weeks ended 1 October 2006

Company registration number	687831
Registered office	South House Bond Avenue Milton Keynes MK1 1JJ
Directors	P Howlett White N S Whitehouse A Day W J Eyres
Secretary	A J Day
Bankers	Lloyds TSB Bank plc Central Milton Keynes
Solicitors	Shoosmiths Central Milton Keynes
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants Central Milton Keynes

Terrapin Limited

Financial Statements

For the 52 weeks ended 1 October 2006

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Terrapin Limited

Report of the Directors

The directors present their report together with the financial statements for the 52 weeks ended 1 October 2006

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 £536,000 (2005 £696,000) The directors do not recommend payment of a dividend and the profit has been transferred to reserves

Business review

The Company achieved a minor turnover increase (1%) over the previous year but the profitability level suffered a small reduction (23%) to give a disappointing result

During the year the Company successfully implemented major change in its management structure The age profile of the board and senior staff required careful succession management to be implemented The Company recognises and appreciates the contribution that long serving directors and senior staff have made to the success and stability of the Company over the years The opportunity for reorganisation has been taken and a younger higher qualified senior management team is in place The process attracted costs and some disturbance to established practices, which is reflected in the results The Company is well placed to take long term benefit from the changes and a cohesive skilled management team is in place

Manufacturing efficiency continued to improve through the year as the benefit of continuity of production for the Colchester Garrison was realised Other sectors maintained a reasonable demand for factory product but the Design and Build activity declined

The Company has invested heavily in pre-qualification for future major projects It is anticipated this will deliver short and medium term opportunities for all parts of the business We are predicting increasing production levels for all the offsite manufactured products in future years

Principle risks and uncertainties

The principal risk to the business would be the adoption of methods of procurement by the public sector which would favour larger organisations The expertise and specialist knowledge acquired over many years should allow the company to retain a satisfactory order book in either a main or subordinate role

Financial risk management objectives and policies

There are always risks associated with the building and contracting industries where there are the possibilities of cost overruns on projects and disputed claims With detailed and regular project management accounts, a conservative attitude to profit taking plus a wide client base, this risk is minimised as far as possible

The company seeks to manage liquidity risk by ensuring that sufficient cash resources are available to meet the foreseeable needs In addition to the actions mentioned above the Company has a regular income from its building hire contracts

Report of the Directors

Research and development

Research and development work during the year followed the pattern of recent years A superior specification modular apartment product was developed and launched at a high profile event in London during the year It has been well received by the press and specifiers

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	(resigned 3 March 2006)
D H Smith	(resigned 23 October 2006)
N S Whitehouse	
P Howlett White	
A G Lucas	(resigned 18 August 2006)
W J Eyres	(appointed 18 April 2006)
A Day	(appointed 16 October 2006)

P Howlett White retires by rotation and, being eligible, offers himself for re-election at the AGM

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	
	2006	2005
M P Holiday	**100**	100
D H Smith	-	-
A G Lucas	-	-
W J Eyres	-	-
A Day	-	-
P Howlett White	-	-

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

United Kingdom company law 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 year 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

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Report of the Directors (continued)

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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and

- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

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

BY ORDER OF THE BOARD

A J Day
Secretary

14 February 2007

Grant Thornton

Report of the Independent Auditors

to the members of Terrapin Limited

We have audited the financial statements of Terrapin Limited for the period ended 1 October 2006 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 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 auditors

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 October 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes

16 FEBRUARY 2007

Terrapin Limited

Principal Accounting Policies

For the 52 weeks ended 1 October 2006

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, except as stated below·

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements Previously, proposed equity dividends were recorded as liabilities at the balance sheet date

FRS 25 'Financial Instruments Disclosure and Presentation (IAS 32)'

The adoption of FRS 25 has resulted in a change in accounting policy in respect of the presentation of dividends and distributions Dividends and distributions relating to equity instruments are now debited directly to equity Previously, equity dividends were shown on the face of the profit and loss account. The definition of an equity instrument is given by way of the definition of a financial liability as detailed in the accounting policy for financial instruments below

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%

Principal Accounting Policies

For the 52 weeks ended 1 October 2006

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

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

Principal Accounting Policies

For the 52 weeks ended 1 October 2006

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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and Loss Account

For the 52 weeks ended 1 October 2006

	Note	**2006 £'000**	2005 £'000
Turnover	1	**28,589**	28,309
Cost of sales		**(23,961)**	(23,833)
Gross profit		**4,628**	4,476
Administrative expenses		**(4,043)**	(3,783)
Operating profit		**585**	693
Net interest	2	**(22)**	(11)
Profit on ordinary activities before taxation	1	**563**	682
Tax on profit on ordinary activities	4	**(27)**	14
Profit for the financial period, transferred to reserves	15	**536**	696

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 1 October 2006

	Note	1 October 2006		2 October 2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Components for hiring	5		**2,725**		2,755
Other tangible assets	6		**496**		474
			3,221		3,229
Current assets					
Stocks	7	**3,049**		2,590	
Debtors – due after more than one year	8	**339**		324	
Debtors – due within one year	8	**8,613**		7,311	
Cash at bank and in hand		**621**		592	
		12,622		10,817	
Creditors: amounts falling due within one year	9	**(6,944)**		(5,516)	
Net current assets			**5,678**		5,301
Total assets less current liabilities			**8,899**		8,530
Creditors: amounts falling due after more than one year	10	**(36)**		(165)	
Provisions for liabilities and charges	12	**(716)**		(754)	
			(752)		(919)
			8,147		7,611
Capital and reserves					
Called up share capital	14		**500**		500
Profit and loss account	15		**7,647**		7,111
Shareholders' funds	16		**8,147**		7,611

The financial statements were approved by the Board of Directors on 14 February 2007

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 52 weeks ended 1 October 2006

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

	2006 £'000	2005 £'000
Auditors remuneration		
Audit services	**37**	35
Depreciation and amortisation		
Components for hiring	**922**	1,175
Other tangible fixed assets	**125**	129
Assets held on finance lease	**14**	7
Hire of plant and machinery	**9**	20
Other operating lease rentals	**514**	550

Turnover includes income of £2,259,449 (2005 £2,707,000) in respect of operating leases

Other auditor remuneration is disclosed in the parent company consolidated financial statements

2. Net interest

	2006 £'000	2005 £'000
Other interest receivable	**-**	(26)
Interest payable on bank loans and overdrafts	**6**	27
Interest payable on hire purchase and finance leases	**16**	10
Net interest	**22**	11

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

3. Directors and employees

Staff costs during the period were as follows

	2006 £'000	2005 £'000
Wages and salaries	**3,525**	3,064
Social security costs	**340**	325
Other pension costs	**202**	320
	4,067	3,709

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

	2006 Number	2005 Number
Administrative	**74**	75
Production	**82**	80
	156	155

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

	2006 £'000	2005 £'000
Emoluments	**337**	257
Pension contributions to defined benefit and money purchase pension schemes	**568**	89
	905	346

During the period 3 directors (2005 5) participated in a defined contribution pension scheme

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

	2006 £'000	2005 £'000
Emoluments	**65**	63
Pension contributions to defined benefit pension schemes	**309**	41
	374	104

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

4. Tax on profit on ordinary activities

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

	2006 £'000	2005 £'000
UK corporation tax at 30%	-	65
Adjustment in respect of prior periods	(3)	1
Total current tax	(3)	66
Origination and reversal of timing differences		
- current period	30	40
- in respect of prior periods	-	(120)
Total deferred tax	30	(80)
Tax on profit on ordinary activities	27	(14)

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

	2006 £'000	2005 £'000
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30%	169	205
Effect of		
Expenses not allowable for tax purposes	4	9
Capital allowances for the period in excess of depreciation	(30)	(28)
R&D tax credit	(14)	(41)
Marginal relief adjustment	-	(9)
Group relief	(129)	(59)
Other timing differences	-	(12)
Adjustment to tax charge of prior periods	(3)	1
Current tax charge/(credit) for period	(3)	66

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

5. Components for hiring

	Total £'000	Components and building units £'000	Site restoration costs £'000
Cost			
At 2 October 2005	11,308	10,553	755
Additions	893	771	122
Disposals	(1,676)	(1,515)	(161)
At 1 October 2006	10,525	9,809	716
Accumulated depreciation			
At 2 October 2005	8,553	7,985	568
Provided in the period	922	829	93
Eliminated on disposals	(1,675)	(1,516)	(159)
At 1 October 2006	7,800	7,298	502
Net book amount at 1 October 2006	**2,725**	**2,511**	**214**
Net book amount at 2 October 2005	2,755	2,568	187

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

6. Other tangible assets

	Total £'000	Furniture and equipment £'000	Motor vehicles £'000	Plant and machinery £'000
Cost				
At 2 October 2005	1,267	372	156	739
Additions	157	110	-	47
Intercompany transfers	71	62	9	-
Disposals	(21)	-	(21)	-
At 1 October 2006	1,474	544	144	786
Accumulated depreciation				
At 2 October 2005	793	281	100	412
Provided in the period	139	65	28	46
Depreciation on intercompany transfers	64	56	8	-
Eliminated on disposal	(18)	-	(18)	-
At 1 October 2006	978	402	118	458
Net book amount at 1 October 2006	**496**	**142**	**26**	**328**
Net book amount at 2 October 2005	474	91	56	327

Included within the net book value of £496,000 is £75,000 (2005 £89,000) 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 £14,000 (2005 £7,000)

7. Stocks

	2006 £'000	2005 £'000
Long-term contract balances	**2,472**	2,047
Raw materials and consumables	**517**	467
Finished goods	**60**	76
	3,049	2,590

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

8. Debtors

	2006 £'000	2005 £'000
Amounts falling due after more than one year		
Deferred tax	**339**	324
	339	324
Amounts falling due within one year		
Trade debtors	**3,308**	2,755
Amounts owed by group undertakings	**5,144**	4,163
Amounts recoverable on contracts	**29**	150
Other debtors	**29**	44
Deferred tax	**71**	116
Prepayments and accrued income	**32**	83
	8,613	7,311

9. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Secured loan	**-**	35
Block discounting loan	**-**	85
Trade creditors	**1,695**	1,811
Corporation tax	**-**	70
Social security and other taxes	**438**	349
Amounts due under finance leases and hire purchase	**19**	17
Other creditors	**6**	8
Accruals	**3,767**	2,159
Deferred income	**1,019**	982
	6,944	5,516

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

	2006 £'000	2005 £'000
Secured loan	**-**	105
Amounts due under finance leases and hire purchase	**36**	60
	36	165

The secured loan was fully repaid during the period

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

11. Borrowings

Borrowings are repayable as follows

	2006	2005
	£'000	£'000
Within one year		
Secured loan	-	35
Block discounting loan	-	85
Amounts due under finance leases and hire purchase	**19**	17
After one and within two years		
Secured loan	-	35
Amounts due under finance leases and hire purchase	**20**	19
After two and within five years		
Secured loan	-	70
Amounts due under finance leases and hire purchase	**16**	41
	55	302

The secured loan was fully repaid during the year

12. Provisions for liabilities and charges

	Return and dismantling provision
	£'000
At 2 October 2005	754
Provided during the period	121
Utilised during the period	(159)
At 1 October 2006	716

Return and dismantling provision relates to the costs that will be incurred in dismantling and returning components at the termination of each hire contract £236,000 (2005 £387,000) of the period end provision relates to costs that are expected to be incurred within one year The remaining £480,000 (2005 £367,000) 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

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

13. Deferred taxation

Deferred taxation is provided for in full as follows

	Amount provided (Asset) 2006 £000	2005 £000
Accelerated capital allowances	**410**	440

14. Share capital

	2006 and 2005 £'000
Authorised, allotted, called up and fully paid	
Ordinary shares of £1 each	**500**

15. Profit and loss account

	£'000
At 2 October 2005	7,111
Profit for the period	536
At 1 October 2006	**7,647**

16. Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £000
Profit for the financial period	**536**	696
Shareholders' funds at 2 October 2005	**7,611**	6,915
Shareholders' funds at 1 October 2006	**8,147**	7,611

17. Capital commitments

The company had capital commitments of £nil at 1 October 2006 (2 October 2005 £100,000)

18. Contingent liabilities

The company has performance bonds outstanding at the period end with a value of £30,000 (2005 £1,556,000)

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 £349,000 (2005 £274,000)

Notes to the Financial Statements (continued)

For the 52 weeks ended 1 October 2006

19. Leasing commitments

Operating lease payments amounting to £482,000 (2005 £545,000) are due within one year The leases to which these amounts relate expire as follows

	2006		2005	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
In one year or less	33	19	-	22
Between one and five years	412	18	445	78
	445	37	445	100

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 £nil (2005 £4,000) to Advance Housing Limited, a company in which its parent, Terrapin International Limited, owns 20% of the issued share capital At 1 October 2006, the amount owed by Advance Housing Limited was £nil (2005 £nil)

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