

**HERBRAND LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 OCTOBER 2006**

**TUESDAY**



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15/05/2007  
COMPANIES HOUSE

**Registered in England and Wales No 999152**

# HERBRAND LIMITED

## REPORT OF THE DIRECTORS

Directors        A R Bolt BA, FCMA  
                    E C Beard B Sc , ACA

Secretary       B R Cowen B Com , CA(SA)                    (resigned 30 November 2005)  
                    R P Walker BA, FCCA                            (appointed 30 November 2005)

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

### 1 RESULTS FOR THE YEAR

The profit for the year on ordinary activities after taxation was £425,413 (2005 £406,110) During the year, an interim dividend of £5,500,000 (2005 £2,000,000) was declared and paid In addition to the profit on ordinary activities after taxation and the interim dividend, there was a realisation of the revaluation reserve of £3,602,724 (2005 £Nil), all of which have been added to the surplus of £1,783,339 brought forward to give a balance of £311,476 to carry forward

The directors do not recommend the payment of a final dividend (2005 £Nil)

### 2 PRINCIPAL ACTIVITIES

The company is a property investment company It expects to continue to participate in the property investment activities of the group of which it is a member

### 3 REVIEW OF THE BUSINESS

The directors have taken advantage of the special provisions available to small companies not to present a review of the business in accordance with S 234ZZB, Companies Act 1985

### 4 DIRECTORS

The directors, as set out above, served throughout the year and remain in office

The directors had no beneficial interests in the shares of this or any other group company according to the register kept in accordance with S 325, Companies Act 1985

### 5 DISCLOSURE OF INFORMATION TO AUDITORS

Each director, at the date of approval of this report, confirms that -

- so far as he/she is aware, there is no relevant audit information which has not been disclosed to the auditors, and
- he/she has taken the necessary steps to ensure that he/she is aware of all relevant information and that this has been communicated to the auditors

This information is given in accordance with S 234ZA of the Companies Act 1985

**HERBRAND LIMITED**

**REPORT OF THE DIRECTORS (CONTINUED)**

**6 AUDITORS**

In accordance with S 385, Companies Act 1985, a resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

By Order of the Board



R P Walker  
Secretary

Registered Office  
Eaton Court  
Maylands Avenue  
Hemel Hempstead  
Herts  
HP2 7TR

8 May 2007

## **HERBRAND LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 as at the end of the financial year 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 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 which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with United Kingdom Generally Accepted Accounting Practice and the Companies Act 1985. They are also responsible for the company's system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## HERBRAND LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERBRAND LIMITED

We have audited the financial statements of Herbrand Limited for the year ended 31 October 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profit and losses and the related notes 1 to 12. 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 directors and auditors**

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

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

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions 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 31 October 2006 and of its profit for the year 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.

*Deloitte & Touche UK*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

*11 May* 2007

# HERBRAND LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 October 2006

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
		£	£
Turnover - continuing operations	1	242,441	481,560
Cost of sales			
Operating costs	(17,735)		(17,766)
Depreciation	(13,163)		(13,378)
		(30,898)	(31,144)
Gross profit		211,543	450,416
Administrative expenses			
Auditors' remuneration - audit fee - current year		(2,400)	(2,300)
Operating profit - continuing operations		209,143	448,116
Interest payable and similar charges	1, 2	(32,000)	(32,000)
Profit on ordinary activities before taxation		177,143	416,116
Tax charge/(credit) on profit on ordinary activities	3	248,270	(10,006)
Profit on ordinary activities after taxation	10	425,413	406,110
Interim dividend paid	10	(5,500,000)	(2,000,000)
Retained loss for the year	9	(5,074,587)	(1,593,890)

**HERBRAND LIMITED****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**Year ended 31 October 2006

	<u>2006</u>	<u>2005</u>
	£	£
Profit on ordinary activities after taxation	425,413	406,110
Unrealised surplus on revaluation of properties	-	1,091,386
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	<u>425,413</u>	<u>1,497,496</u>

**NOTE OF HISTORICAL COST PROFIT AND LOSSES**Year ended 31 October 2006

	<u>2006</u>	<u>2005</u>
	£	£
Reported profit on ordinary activities before taxation	177,143	416,116
Realisation of additional property revaluation gains	569,350	-
Differences between the historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	(20,640)	(42,028)
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	<u>725,853</u>	<u>374,088</u>
	<hr/>	<hr/>
Historical cost loss for the year after taxation, minority interest and dividends	<u>(4,525,877)</u>	<u>(1,635,918)</u>

# HERBRAND LIMITED

## BALANCE SHEET AS AT 31 OCTOBER 2006

	Notes	2006	2005
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	5	1,832,405	6,205,568
<b>CURRENT ASSETS</b>			
Debtors			
Amounts owed by immediate parent company		-	236,162
Prepayments and accrued income		-	1,903
		-	238,065
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Amounts owed to immediate parent company		(724,541)	-
Amounts owed to fellow subsidiary company	6	(400,000)	(400,000)
Amounts owed to associate company		(24,805)	(24,805)
Taxation		(9,190)	(9,081)
Accruals and deferred income		(35,350)	(48,371)
		(1,193,886)	(482,257)
<b>NET CURRENT LIABILITIES</b>		(1,193,886)	(244,192)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		638,519	5,961,376
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	7	(108,026)	(356,296)
<b>NET ASSETS</b>		530,493	5,605,080
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1,000	1,000
Revaluation reserve	9	218,017	3,820,741
Profit and loss account	9	311,476	1,783,339
<b>EQUITY SHAREHOLDERS' FUNDS</b>	10	530,493	5,605,080

These financial statements were approved by the Board of Directors on 10 May 2007

Signed on behalf of the Board of Directors

E C BEARD



Director



## HERBRAND LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 October 2006

#### 1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular policies adopted, which have been applied consistently in the current and prior years, are described below.

##### Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties.

##### Turnover

Turnover represents rent receivable on the properties and is recognised on an actual basis. All income is generated within the United Kingdom.

##### Depreciation

Other freehold properties are deemed to have a useful life of 50 years and their construction costs are written off over the remaining years.

In accordance with SSAP19, Accounting for Investment Properties, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, the requirements conflict with the generally accepted accounting principle set out in SSAP19. The directors consider that, because these properties are not held for consumption but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been decreased by depreciation.

##### Interest payable and similar charges

Interest is recognised on the intercompany unsecured loan (see note 6) when it falls due for payment.

##### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Financial Reporting Standard No. 19, Deferred Tax, requires full provision for timing differences and recognition of a deferred tax asset where it is more than likely than not that it will be recovered. The standard requires that deferred tax is not recognised on any gains or losses on revalued assets unless the company has a binding agreement to sell that asset. Deferred tax assets and liabilities are not discounted.

##### Revaluation of investment properties

Investment property valuations have been carried out in accordance with SSAP19.

# HERBRAND LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 October 2006

### 2 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2006</u>	<u>2005</u>
	£	£
Intercompany unsecured loan (see note 6)	32,000	32,000

### 3 TAX CHARGE/(CREDIT) ON PROFIT ON ORDINARY ACTIVITIES

On the results for the year

	<u>2006</u>	<u>2005</u>
	£	£
Current year		
Deferred taxation	248,270	(10,006)

Factors affecting the tax charge for the current year

	<u>2006</u>	<u>2005</u>
	£	£
Profit on ordinary activities before taxation	177,143	416,116
United Kingdom Corporation Tax at 30% (2005 30%)	53,143	124,835
Expenses not deductible	-	3,690
Capital allowances in excess of depreciation	(916)	(10,006)
Group relief not paid for	(64,227)	(137,119)
Transfer pricing adjustment	12,000	18,600
Current tax charge for the year	-	-

There were no unrecognised deferred tax assets or liabilities (2005 £Nil)

### 4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees during the year (2005 None) and no emoluments were paid to the directors in respect of their services to the company (2005 £Nil)

# HERBRAND LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 October 2006

### 5 TANGIBLE FIXED ASSETS

	Total	Freehold properties	
		Investment	Other
	£	£	£
Cost or valuation			
As at 1 November 2005	6,560,704	5,610,000	950,704
Disposals	(4,360,000)	(4,360,000)	-
As at 31 October 2006	2,200,704	1,250,000	950,704
Comparable historical cost	1,982,687	1,031,983	950,704
Depreciation			
As at 1 November 2005	355,136	-	355,136
Charge for the year	13,163	-	13,163
As at 31 October 2006	368,299	-	368,299
Comparable historical depreciation	833,810	465,511	368,299
Net book value			
As at 31 October 2006			
Cost	582,405	-	582,405
Valuation	1,250,000	1,250,000	-
	1,832,405	1,250,000	582,405
As at 31 October 2005			
Cost	595,568	-	595,568
Valuation	5,610,000	5,610,000	-
	6,205,568	5,610,000	595,568

The wholly owned investment properties, which are all situated in the United Kingdom, were revalued during the year by the directors based upon internal recommendations made by qualified chartered surveyors. This resulted in no revaluations (2005 revaluation surplus of £1,091,386 which was taken directly to reserves). The valuations were undertaken in accordance with SSAP19, Accounting for Investment Properties, and are based on market values at 31 October 2006.

Depreciation is not provided in respect of revalued properties and the directors consider that this accounting policy results in the accounts giving a true and fair view.

To the extent chargeable gains would arise if the assets were sold at their revalued amounts, it is expected that they will be covered by capital losses elsewhere in the Group. It is therefore anticipated that the company would have no tax liability in the event of any such disposals.

### 6 AMOUNTS OWED TO FELLOW SUBSIDIARY COMPANY

The company was advanced an 8% unsecured loan by a fellow subsidiary company on 3 May 1994. The loan is repayable at par on six months' notice.

# HERBRAND LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 October 2006

### 7 DEFERRED TAXATION

	<u>2006</u>
	£
As at 1 November 2005	356,296
Credited to the profit and loss account	(248,270)
As at 31 October 2006	<u>108,026</u>

The deferred taxation balance is wholly in respect of accelerated capital allowances

### 8 CALLED UP SHARE CAPITAL

	<u>2006</u>	<u>2005</u>
	£	£
Authorised, allotted and fully paid 1,000 Ordinary shares of £1 each	1,000	1,000

### 9 RESERVES

	<u>Total</u>	<u>Revaluation reserve</u>	<u>Profit and loss account</u>
	£	£	£
As at 1 November 2005	5,604,080	3,820,741	1,783,339
Retained loss for the financial year	(5,074,587)	-	(5,074,587)
Realisation of revaluation reserve	-	(3,602,724)	3,602,724
As at 31 October 2006	<u>529,493</u>	<u>218,017</u>	<u>311,476</u>

If the investment properties were realised at their revalued amounts this would not give rise to a taxation liability

### 10 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>2006</u>	<u>2005</u>
	£	£
Profit on ordinary activities after taxation	425,413	406,110
Interim dividend paid (£5,500 per Ordinary share, 2005 £2,000 per Ordinary share)	(5,500,000)	(2,000,000)
Retained loss for the financial year	(5,074,587)	(1,593,890)
Other recognised gains and losses relating to the year	-	1,091,386
Net decrease in equity shareholders' funds	(5,074,587)	(502,504)
Opening equity shareholders' funds	5,605,080	6,107,584
Closing equity shareholders' funds	<u>530,493</u>	<u>5,605,080</u>

## **HERBRAND LIMITED**

### **NOTES TO THE ACCOUNTS**

Year ended 31 October 2006

#### **11 RELATED PARTY TRANSACTIONS**

The company is a wholly owned subsidiary of the Newarthill Limited group of companies and has taken advantage of the exemption which is conferred by Financial Reporting Standard No 8, Related Party Disclosures, that allows it not to disclose transactions with group undertakings

#### **12 ULTIMATE PARENT COMPANY**

The immediate parent company is Sir Robert McAlpine Enterprises Limited and the ultimate parent company is Newarthill Limited, which is incorporated in Great Britain and registered in England and Wales. These two companies represent the smallest and largest groups to prepare consolidated accounts which include the results of this entity. Copies of the group accounts can be obtained from Newarthill Limited, 40 Bernard Street, London WC1N 1LG. The ultimate controlling party is the McAlpine Partnership Trust.