

## **Waterloo Investments Ltd**

**Company No. 2592027**

**Financial Statements**

**For the year ended**

**29 February 2004**



# **Waterloo Investments Ltd**

## **Company Information**

### **Directors**

J.R.G. Hunter  
K.B. Nilsson  
M.K. Santilale

### **Secretary**

K.B. Nilsson

### **Registered Office**

The Inner Court  
48 Old Church Street  
London  
SW3 5BY

### **Bankers**

Coutts & Co  
440 Strand  
London  
WC2R 0QS

### **Auditors**

Kingston Smith  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

# Waterloo Investments Ltd

## Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 29 February 2004.

### Principal activities and review of the business

The principal activity of the company throughout the year was property development and management services.

### Results and dividends

The results for the year are set out on page 4.

### Directors and their interests

The following directors have held office since 1 March 2003:

J.R.G. Hunter

K.B. Nilsson

None of the directors held any interest in the shares of the company during the period. The interests of the directors in the shares of the parent company are disclosed in that company's financial statements. Mr. M.K. Santilale was appointed a director on 17 August 2004.

### Auditors

Kingston Smith have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed they be re-appointed auditors to the company for the ensuing year.

By Order of the Board



K.B. Nilsson  
Secretary

The Inner Court  
48 Old Church Street  
London  
SW3 5BY

Date: 28 October 2004

# Waterloo Investments Ltd

## Directors' Responsibilities & Report of the Auditors

### Statement of directors' responsibilities

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 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; and prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

### Independent Auditors' Report to the Shareholders of Waterloo Investments Ltd

We have audited the financial statements of Waterloo Investments Ltd, which comprise the profit and loss account, balance sheet and related notes, for the year ended 29 February 2004. These financial statements have been prepared under the historical cost convention and 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 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.

In forming our opinion we have considered the adequacy of the disclosures made in Note 1 of the financial statements concerning the directors' actions since the balance sheet date to re-negotiate loans and raise further capital. In view of the significance of these issues to the preparation of the financial statements on the going concern basis we consider that these disclosures should be brought to your attention, but our opinion is not qualified in this respect.

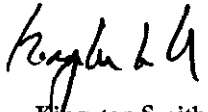
**Waterloo Investments Ltd**  
**Directors' Responsibilities & Report of the Auditors (Continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 February 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

Date: 29/10/04

  
**Kingston Smith**  
Chartered Accountants  
and Registered Auditors

**Waterloo Investments Ltd**  
**Profit and Loss Account**  
**For the year ended 29 February 2004**

	Notes	2004 £	2003 £
<b>Turnover</b>	2	602,365	865,060
Cost of sales		-	(92,168)
Exceptional item	4	-	826,136
<b>Gross profit</b>		602,365	1,599,028
Administrative expenses		(1,411,917)	(1,178,135)
<b>Operating (loss)/profit</b>	3	(809,552)	420,893
Profit on sale of tangible assets		9,422	27,858
<b>(Loss)/Profit on ordinary activities before interest</b>		(800,130)	448,751
Interest payable and similar charges	6	(19,065)	(57,475)
<b>(Loss)/Profit on ordinary activities before taxation</b>		(819,195)	391,276
Taxation	7	-	(17,609)
<b>(Loss)/Profit on ordinary activities after taxation</b>	12	(819,195)	373,667

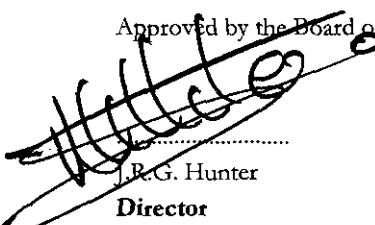
The profit and loss account has been prepared on the basis that all operations are continuing operations.


There are no recognised gains and losses other than those passing through the profit and loss account.

**Waterloo Investments Ltd**  
**Balance Sheet**  
**As at 29 February 2004**

		2004		2003
	Notes	£	£	£
<b>Fixed Assets</b>				
Tangible assets	8		32,629	36,786
<b>Current Assets</b>				
Debtors	9	214,071		3,371,875
Cash at bank and in hand		166		682
		<u>214,237</u>		<u>3,372,557</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(1,990,602)</u>		<u>(4,333,884)</u>
<b>Net Current Liabilities</b>			<u>(1,776,365)</u>	<u>(961,327)</u>
<b>Net Liabilities</b>			<u>(1,743,736)</u>	<u>(924,541)</u>
<b>Capital and Reserves</b>				
Called up share capital	11	100		100
Profit and loss account	12	<u>(1,743,836)</u>		<u>(924,641)</u>
<b>Shareholders' Funds - Equity Interests</b>			<u>(1,743,736)</u>	<u>(924,541)</u>

Approved by the Board on 28 October 2004

  
J.R.G. Hunter  
Director

  
K.B. Nilsson  
Director

**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004**

**1 Accounting Policies**

**a) Accounting basis and standards**

*The financial statements have been prepared under the historical cost convention.*

As referred to in note 15, the company is party to a composite guarantee in favour of Coutts & Co. with its parent company and fellow subsidiaries.

The company and group currently meet their day to day working capital requirements partly through monies loaned from the Northacre PLC Directors Retirement and Death Benefits Scheme and partly from the group's bankers. Since the year end the directors have implemented a number of measures to re-finance the group's activities, including the following:

i) In August 2004 the group exchanged contracts for the sale of its freehold property for £2.85 million. Completion is due to take place on 15 September 2004 and the proceeds of the sale will be used to redeem in full the indebtedness owed to the group's bankers Coutts & Co.

ii) Agreement has been reached for one of the loans due to the Northacre PLC Directors Retirement and Death Benefits Scheme of £1 million to be extended until 31 July 2005.

iii) Documentation has recently been agreed, and is shortly to be executed, for the issue of £500,000 of convertible loan stock to a third party investor. The resultant cash injection is expected to be received in October 2004.

The directors have prepared detailed cash flow projections for the period ended 30 September 2005 making prudent assumptions about the levels and timing of income and expenditure. These projections show that the group can operate within the available facilities in the light of the changes mentioned above. On this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

**b) Compliance with accounting standards**

The financial statements are prepared in accordance with applicable accounting standards.

**c) Depreciation**

Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33 1/3% straight line
Fixtures & fittings	25% straight line
Motor vehicles	25% straight line

**d) Turnover**

Turnover represents the value of goods and services provided net of value added tax.

**e) Deferred taxation**

In accordance with FRS 19, deferred tax is recognised as a liability or asset if transactions or events that give the company the obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date.

**f) Leasing and hire purchase commitments**

Assets held under finance lease and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease on a straight line basis.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.



**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004 (Continued)**

**g) Pension scheme arrangements**

The company makes contributions to private pension schemes. The pension cost charge represents contributions payable to the schemes.

**2 Turnover**

	<b>Turnover</b>	
	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Class of business</b>		
Management fees	252,365	865,060
Development profit shares	350,000	-
	<u>602,365</u>	<u>865,060</u>

**3 Operating (Loss)/Profit**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets:		
Leased assets	13,157	43,153
Owned assets	18,751	15,124
Operating lease rentals		
- Plant and machinery	480	846
- Other assets	69,263	67,510
Auditors' remuneration	5,000	5,000
	<u>          </u>	<u>          </u>

**4 Exceptional Item**

The credit represents the release of a provision no longer required in respect of a third party's entitlement to a profit share on a completed development.

**5 Employee Information**

The directors did not receive any remuneration from the company during the year.

The average number of employees (including directors) during the year was:

	<b>2004</b>	<b>2003</b>
	<b>Number</b>	<b>Number</b>
Office and management	<u>16</u>	<u>15</u>

The total remuneration was:

	<b>£</b>	<b>£</b>
Wages and salaries	998,278	744,493
Social security costs	112,854	90,455
Other pension costs	56,554	42,354
	<u>1,167,686</u>	<u>877,302</u>

**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004 (Continued)**

<b>6</b>	<b>Interest Payable and Similar Charges</b>	<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	11,054	33,065
	Other interest payable	3,156	16,214
	Hire purchase interest	1,855	8,196
	On overdue tax	3,000	-
		<u>19,065</u>	<u>57,475</u>
<b>7</b>	<b>Taxation</b>	<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
	<b>Analysis</b>		
	Adjustment for prior years	-	17,609
		<u>-</u>	<u>17,609</u>
	<b>Current tax charge/(credit)</b>	<u>-</u>	<u>17,609</u>
	<b>Factors affecting the tax charge for the year</b>		
	(Loss)/profit on ordinary activities before taxation	(819,195)	391,276
		<u>(819,195)</u>	<u>391,276</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2003: 30%)	(245,759)	117,383
		<u>(245,759)</u>	<u>117,383</u>
	Effects of:		
	Non deductible expenses	25,362	6,337
	Depreciation	31,908	17,483
	Capital allowances	(63,294)	(38,836)
	Tax losses utilised	-	(94,009)
	Adjustments to previous periods	-	17,609
	Other tax adjustments	251,783	(8,358)
		<u>245,759</u>	<u>(99,774)</u>
	<b>Current tax charge/(credit)</b>	<u>-</u>	<u>17,609</u>

**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004 (Continued)**

**8 Tangible Assets**

	<b>Computer equipment £</b>	<b>Fixtures &amp; fittings £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 March 2003	83,394	182,971	52,153	318,518
Additions	31,593	2,736	-	34,329
Disposals	-	-	(52,153)	(52,153)
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 February 2004	114,987	185,707	-	300,694
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 March 2003	70,559	178,755	32,418	281,732
On disposals	-	-	(45,575)	(45,575)
Charge for the year	16,118	2,633	13,157	31,908
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 February 2004	86,677	181,388	-	268,065
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 29 February 2004	28,310	4,319	-	32,629
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2003	12,835	4,216	19,735	36,786
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of the company's fixed assets includes £Nil (2003 - £19,735) in respect of assets held under finance leases and hire purchase contracts.

**9 Debtors**

	<b>2004 £</b>	<b>2003 £</b>
Trade debtors	248	420
Amounts owed by group undertakings	138,298	3,366,114
Other debtors	11,898	1,212
Prepayments and accrued income	63,627	4,129
	<hr/>	<hr/>
	214,071	3,371,875
	<hr/>	<hr/>

**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004 (Continued)**

10 Creditors: Amounts Falling Due Within One Year	2004	2003
	£	£
Bank loans and overdrafts	3,055	587,127
Net obligations under hire purchase contracts (Note 13)	15,805	19,317
Trade creditors	143,958	212,643
Amounts owed to group undertakings	1,403,699	3,266,835
Taxes and social security costs	102,217	73,367
Other creditors	154,785	121,331
Accruals and deferred income	167,083	53,264
	<u>1,990,602</u>	<u>4,333,884</u>

Obligations under hire purchase contracts are secured on related assets. Bank loans and overdrafts are secured by a debenture over the group's assets and a composite guarantee across all fellow group companies.

11 Called Up Share Capital	2004	2003
	£	£
<b>Authorised</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>

12 Reserves			
2004	Share capital	Profit and loss account	Total
	£	£	£
Balance at 1 March 2003	100	(924,641)	(924,541)
Retained loss for the year	-	(819,195)	(819,195)
	<u>100</u>	<u>(1,743,836)</u>	<u>(1,743,736)</u>
Balance at 29 February 2004	100	(1,743,836)	(1,743,736)
	<u>          </u>	<u>          </u>	<u>          </u>
2003	Share capital	Profit and loss account	Total
	£	£	£
Balance at 1 March 2002	100	(1,298,308)	(1,298,208)
Retained profit for the year	-	373,667	373,667
	<u>100</u>	<u>(924,641)</u>	<u>(924,541)</u>
Balance at 28 February 2003	100	(924,641)	(924,541)
	<u>          </u>	<u>          </u>	<u>          </u>

**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004 (Continued)**

**13 Future Financial Commitments**

**a) Finance leases**

At 29 February 2004 the company had obligations under finance leases and hire purchase contracts which are set out below:

	2004 £	2003 £
Net amount payable: within one year	15,805	19,317
	<u>15,805</u>	<u>19,317</u>
Finance lease and hire purchase contracts are analysed as follows: due within one year (Note 10)	<u>15,805</u>	<u>19,317</u>

**b) Pension commitments**  
**Defined contribution**

	2004 £	2003 £
Contributions payable by the company for the year	56,554	42,354
	<u>56,554</u>	<u>42,354</u>

**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004 (Continued)**

**14 Related Party Transactions**

The company's related parties as defined by the Financial Reporting Standards, the nature of the relationship and the amount of transactions with them during the period were as follows:

<b>Related Party</b>	<b>Nature of Relationship</b>	<b>2004 £</b>	<b>2003 £</b>	<b>Nature of Transaction</b>
J.R.G. Hunter	1	16,000	27,020	Market value owed for motor vehicle
K.B. Nilsson	1	-	6,000	Market value paid for motor vehicle
P.R. Vesty	2	-	13,000	Market value paid for motor vehicle
Northacre PLC Directors Retirement and Death Benefit Scheme	3	60,000	60,000	Short term loan payable to the scheme by the company
Northacre PLC Directors Retirement and Death Benefit Scheme	3	6,000	6,000	Interest payable on loan
Northacre PLC Directors Retirement and Death Benefit Scheme	3	3,000	2,000	Management fee receivable from the scheme

**Nature of Relationships**

1. J.R.G. Hunter and K.B. Nilsson are directors of the company.
2. P.R. Vesty was a director of the parent company, Northacre PLC, up until 29th April 2004.
3. J.R.G. Hunter and K.B. Nilsson are trustees and members of the Northacre PLC Directors Retirement and Death Benefit Scheme.

The company has taken advantage of the exemption from disclosure of transactions with group companies available to subsidiary undertakings under Financial Reporting Standard No. 8 para 3(c).

**Waterloo Investments Ltd**  
**Notes to the Financial Statements**  
**For the year ended 29 February 2004 (Continued)**

**15 Contingent Liabilities**

(i) The company has entered into a composite guarantee in favour of Coutts & Co. with its parent company and its fellow subsidiaries. The contingent liability at 29th February 2004 was £1,964,107 (2003 - £3,636,029).

On 22nd June 1999 the company entered into a mortgage debenture with Coutts & Co. over all the assets of the company, incorporating a specific charge over book debts and the right to transfer all or any part of any balance standing to the credit of any such account to any other account which may be in debit.

(ii) A third party has brought a claim against the company regarding payment of a profit share in respect of a completed development. Legal proceedings were commenced by the third party in 2001. The amount claimed is £744,008. The company has counterclaimed against the third party for £333,708 plus interest and costs. No provision has been made in these accounts for this liability as the Board are of the firm opinion that there is no prospect that the claim against the company will be successful.

**16 Controlling Party**

The company is a wholly owned subsidiary undertaking of Northacre PLC, a company registered in England and Wales. Copies of the group financial statements are available from The Inner Court, 48 Old Church Street, London, SW3 5BY.