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# Park Lane Rented Homes (Scotland) Limited
Financial statements
For the year ended 30 September 2006

Grant Thornton

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**Company No. 2829451**

# Company information

| | |
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| **Company Registration Number** | 2829451 |
| **Registered Office** | 22 Melton Street<br>London<br>NW1 2BW |
| **Directors** | D S Robinson<br>B J Clarke |
| **Secretary** | D S Robinson |
| **Bankers** | Bank of Scotland<br>56 Main Street<br>Uddingston<br>G71 7LS |
| **Solicitors** | Anderson Fyfe<br>72 Gordon Street<br>Glasgow<br>G1 3RN |
| | Semple Fraser<br>130 St Vincent Street<br>Glasgow<br>G2 5HF |
| **Auditor** | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditors<br>95 Bothwell Street<br>Glasgow<br>G2 7JZ |

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# Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 September 2006.

### Principal activities and business review

The company is principally engaged in property investment.

There was a profit for the year after taxation amounting to £171,038 (2005 - £135,295).

The directors have recommended a dividend of £170,000 (2005 - £135,295).

### Results and dividends

The profit for the year, after taxation, amounted to £171,038. Particulars of dividends paid and proposed are detailed in note 3 to the financial statements.

### Directors

The directors who served the company during the year were as follows:

D S Robinson
B J Clarke

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

### Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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.

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.

## Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

## Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD

D S Robinson
Secretary
20 February 2007

Grant Thornton

# Report of the independent auditor to the members of Park Lane Rented Homes (Scotland) Limited

We have audited the financial statements of Park Lane Rented Homes (Scotland) Limited for the year ended 30 September 2006 which comprise the principal accounting policies, profit and loss account, balance sheet, statement of total recognised gains and losses and notes 1 to 15. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of 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.

Grant Thornton

# Report of the independent auditor to the members of Park Lane Rented Homes (Scotland) Limited (continued)

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 applicable to Smaller Entities, of the state of the company's affairs as at 30 September 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 Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

**20 February 2007**

# Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

### Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the Financial Reporting Standard for Smaller Entities (effective January 2005).

*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. Previously where these equity dividends were proposed after the balance sheet date but before authorisation of the financial statements they were recorded as liabilities at the balance sheet date.

As a result of the introduction of FRS 21 into UK GAAP, the Companies Act has abolished the need to show paid and proposed dividends on the face of the profit and loss account. Under the revised Act, paid and proposed dividends are reflected in the notes to the accounts.

This change in accounting policy has resulted in a prior year adjustment for the company. The financial effect of this change in accounting policy is set out in note 4.

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. The financial effect of this change in accounting policy is set out in note 14.

### Turnover

The turnover shown in the profit and loss accounts represents amounts invoiced during the year.

Rental income is received monthly in advance and recognised evenly over the month with deposits not being recognised as revenue unless the tenant defaults on the rental agreement.

### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings - 25% straight line

### Investment properties

Certain of the company's properties are held for long-term investment and are included in the balance sheet at their open market values. The surpluses or deficits on annual revaluation of such properties are transferred to the investment property revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

This policy represents a departure from the statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

### Deferred taxation

Deferred tax is recognised on all timing differences where the transaction or events that give the company an obligation to pay more 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 either been enacted or substantively enacted by the balance sheet date.

### 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

| | Note | 2006<br>£ | 2005 *(restated)*<br>£ |
|---|---|---|---|
| Turnover | | **270,095** | 241,648 |
| Cost of sales | | **23,956** | 28,112 |
| Gross profit | | **246,139** | 213,536 |
| Other operating charges | 1 | **8,451** | 9,659 |
| **Operating profit** | 2 | **237,688** | 203,877 |
| Interest receivable | | **8,498** | 4,142 |
| Interest payable and similar charges | | **(416)** | (12,030) |
| ***Profit on ordinary activities before taxation*** | | **245,770** | 195,989 |
| Tax on profit on ordinary activities | | **74,732** | 60,694 |
| **Profit for the financial year** | 14 | **171,038** | 135,295 |

# Balance sheet

| | Note | 2006 £ | 2005 (restated) £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 5 | **6,606,592** | 5,978,814 |
| **Current assets** | | | |
| Debtors | 6 | **2** | 3,996 |
| Cash at bank | | **–** | 199,133 |
| | | **2** | 203,129 |
| **Creditors: amounts falling due within one year** | 7 | **690,800** | 574,142 |
| **Net current liabilities** | | **(690,798)** | (371,013) |
| **Total assets less current liabilities** | | **5,915,794** | 5,607,801 |
| **Capital and reserves** | | | |
| Called-up equity share capital | 11 | **1,337,077** | 1,337,077 |
| Share premium account | 12 | **1,203,367** | 1,203,367 |
| Revaluation reserve | 13 | **3,374,312** | 2,932,062 |
| Profit and loss account | 14 | **1,038** | 135,295 |
| **Shareholders' funds** | | **5,915,794** | 5,607,801 |

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the directors on 20 February 2007 and are signed on their behalf by:

D S Robinson

# Other primary statements

### Statement of total recognised gains and losses

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| **Profit for the financial year** | **171,038** | 135,295 |
| Unrealised profit on revaluation of certain fixed assets | **442,250** | 611,859 |
| **Total recognised gains and losses for the year** | **613,288** | 747,154 |
| Prior year adjustment (see note 4) | **135,295** | 132,747 |
| **Total gains and losses recognised since the last financial statements** | **748,583** | 879,901 |

# Notes to the financial statements

## 1 Other operating charges

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| Administrative expenses | **8,451** | 9,659 |

## 2 Operating profit

Operating profit is stated after charging:

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| Depreciation of owned fixed assets | **6,331** | 5,878 |
| Loss on disposal of fixed assets | – | 2,402 |
| Auditor's fees | **1,950** | 1,175 |

## 3 Dividends

**Dividends on shares classed as equity**

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| Paid during the year: | | |
| Equity dividends on ordinary shares | **135,295** | 132,747 |
| Proposed at the year-end (recognised as a liability): | | |
| Equity dividends on ordinary shares | **170,000** | – |

## 4 Prior year adjustment

This change in accounting policy has resulted in a prior year adjustment for the company. Shareholders' funds at 1 October 2004 have been increased by £132,747. For year ended 30 September 2005, the change in accounting policy has resulted in a net increase in retained profit for the year of £135,295. The balance sheet at 30 September 2005 has been restated to reflect the de-recognition of a liability for proposed equity dividends of £135,295.

## 5 Tangible fixed assets

| | Investment property | Fixtures and fittings | Total |
|---|---|---|---|
| | £ | £ | £ |
| Cost or valuation | | | |
| At 1 October 2005 | 5,962,000 | 19,216 | 5,981,216 |
| Additions | 185,750 | 6,109 | 191,859 |
| Revaluation | 442,250 | – | 442,250 |
| At 30 September 2006 | 6,590,000 | 25,325 | 6,615,325 |
| Depreciation | | | |
| At 1 October 2005 | – | 2,402 | 2,402 |
| Charge for the year | – | 6,331 | 6,331 |
| At 30 September 2006 | – | 8,733 | 8,733 |
| Net book value | | | |
| At 30 September 2006 | **6,590,000** | **16,592** | **6,606,592** |
| At 30 September 2005 | 5,962,000 | 16,814 | 5,978,814 |

The company's investment properties were revalued on 21 November 2006 by Allied Surveyors, independent surveyors and valuers registered with The Royal Institution of Chartered Surveyors. The directors consider this valuation to be appropriate at 30 September 2006. The basis of the valuation used was open market value and the surplus has been transferred to the revaluation reserve. No other assets have been revalued.

The net book value of investment properties determined under the historical cost convention is £3,215,688 (2005 - £3,029,938).

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this value because, in the opinion of the directors, these assets are unlikely to be disposed of in the foreseeable future.

## 6 Debtors

| | 2006 | 2005 *(restated)* |
|---|---|---|
| | £ | £ |
| Called up share capital not paid | 2 | 2 |
| Prepayments and accrued income | – | 3,994 |
| | 2 | 3,996 |

## 7 Creditors: amounts falling due within one year

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | **51,749** | – |
| Trade creditors | **1,964** | 2,198 |
| Amounts owed to group undertakings | **635,067** | 520,513 |
| Corporation tax | **–** | 50,000 |
| Other creditors | **2,020** | 1,431 |
| | **690,800** | 574,142 |

The bank holds a standard security over 47 flats at Berkeley Street and Kent Road, Glasgow, and a debenture for all sums due over whole company assets.

There is also a corporate cross guarantee for all sums due between P L Holdings Limited group companies.

## 8 Capital commitments

The company had no capital commitments at 30 September 2006 or 30 September 2005.

## 9 Contingent liabilities

The company has unlimited cross guarantees with Park Lane Caledonian Group Limited and its subsidiary undertakings. At 30 September 2006 the bank borrowings of the group amounted to £23,855,362.

The company had no contingent liabilities at 30 September 2005.

## 10 Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Parties" in not disclosing transactions with other companies in the P L Holdings Limited group.

## 11 Share capital

Authorised share capital:

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| 10,000,000 Ordinary shares of £0.50 each | **5,000,000** | 5,000,000 |

Allotted and called up:

| | 2006 | | 2005 (restated) | |
|---|---|---|---|---|
| | No | £ | No | £ |
| Ordinary shares of £0.50 each | **2,674,154** | **1,337,077** | 2,674,154 | 1,337,077 |

The amounts of paid up share capital for the following categories of shares differed from the called up share capital stated above due to unpaid calls and were as follows:

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| Ordinary shares | **2** | 2 |

## 12 Share premium account

There was no movement on the share premium account during the financial year.

## 13 Revaluation reserve

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| Balance brought forward | **2,932,062** | 2,320,203 |
| Revaluation of fixed assets | **442,250** | 611,859 |
| Balance carried forward | **3,374,312** | 2,932,062 |

## 14 Profit and loss account

| | 2006 | 2005 (restated) |
|---|---|---|
| | £ | £ |
| Prior year adjustment (see note 4) | **135,295** | 132,747 |
| Balance brought forward restated | **135,295** | 132,747 |
| Profit for the financial year | **171,038** | 135,295 |
| Equity dividends proposed | **(170,000)** | – |
| Equity dividends paid | **(135,295)** | (132,747) |
| Balance carried forward | **1,038** | 135,295 |

### 15 *Ultimate parent company*

The directors consider that the ultimate parent undertaking of this company is P L Holdings Limited, a company registered in Scotland. At the balance sheet date the registered office of P L Holdings was 87 Port Dundas Road, Cowcaddens, Glasgow, G4 0HF. Copies of the P L Holdings Group accounts can be obtained from this address.