

TERRACE HILL (GUILDFORD NO 1) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2005



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TERRACE HILL (GUILDFORD NO 1) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

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TERRACE HILL (GUILDFORD NO 1) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

K W Grundy
T G Walsh
N M Wakefield

Company secretary

Park Circus (Secretaries) Limited

Registered office

1 Portland Place
London
W1B 1PN

Auditors

BDO Stoy Hayward LLP
Chartered Accountants
& Registered Auditors
8 Baker Street
London W1U 3LL

TERRACE HILL (GUILDFORD NO 1) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 OCTOBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 October 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is property development.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

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

K W Grundy
T G Walsh
N M Wakefield

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

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 year. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 7, 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; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

TERRACE HILL (GUILDFORD NO 1) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 OCTOBER 2005

AUDITORS

BDO Stoy Hayward LLP were appointed as auditors during the year. A resolution to re-appoint BDO Stoy Hayward LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
1 Portland Place
London
W1B 1PN

Signed by order of the directors


PARK CIRCUS (SECRETARIES) LIMITED
Company Secretary

Approved by the directors on 27 March 2006

TERRACE HILL (GUILDFORD NO 1) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TERRACE HILL (GUILDFORD NO 1) LIMITED
YEAR ENDED 31 OCTOBER 2005

We have audited the financial statements of Terrace Hill (Guildford No 1) Limited for the year ended 31 October 2005 on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

BDO STOY HAYWARD LLP
Chartered Accountants
& Registered Auditors

27 March 2006

TERRACE HILL (GUILDFORD NO 1) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 2005

	Note	2005 £	2004 £
TURNOVER	1	879,801	3,873,087
Cost of sales		<u>(846,534)</u>	<u>(3,345,905)</u>
GROSS PROFIT		33,267	527,182
Administrative expenses		<u>(2,250)</u>	<u>(25,104)</u>
OPERATING PROFIT	2	31,017	502,078
Interest receivable		–	8,001
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>31,017</u>	<u>510,079</u>
Tax on profit on ordinary activities	4	–	–
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>31,017</u>	<u>510,079</u>
Dividends	5	–	(284,376)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>31,017</u>	<u>225,703</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 7 to 11 form part of these financial statements.

TERRACE HILL (GUILDFORD NO 1) LIMITED

BALANCE SHEET

31 OCTOBER 2005

	Note	2005 £	£	2004 £
FIXED ASSETS				
Investments	6		2	—
CURRENT ASSETS				
Stocks	7	1,889,084		1,861,179
Debtors	8	1,372,524		886,060
Cash at bank		—		41,235
		<u>3,261,608</u>		<u>2,788,474</u>
CREDITORS: Amounts falling due within one year	9	<u>2,539,458</u>		<u>2,788,472</u>
NET CURRENT ASSETS			<u>722,150</u>	<u>2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>722,152</u>	<u>2</u>
CREDITORS: Amounts falling due after more than one year	10		<u>691,133</u>	<u>—</u>
			<u>31,019</u>	<u>2</u>
CAPITAL AND RESERVES				
Called-up equity share capital	13		2	2
Profit and loss account	14		<u>31,017</u>	<u>—</u>
SHAREHOLDERS' FUNDS	15		<u>31,019</u>	<u>2</u>

These financial statements were approved by the directors on the 27 March 2006 and are signed on their behalf by:

N J C TURNBULL

The notes on pages 7 to 11 form part of these financial statements.

TERRACE HILL (GUILDFORD NO 1) LIMITED

ACCOUNTING POLICIES

YEAR ENDED 31 OCTOBER 2005

Basis of accounting

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

The financial statements have been prepared under the going concern concept, which the directors consider to be appropriate due to continued support of fellow subsidiary undertakings.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover represents the attributable profit on pre-sold development properties, rental and service charge income excluding value added tax and arises solely within the United Kingdom.

The attributable profit is the relevant portion of the total estimated profit appropriate to the progress made in construction and letting.

The attributable profit on the sale of development properties are reflected in the accounts if the development properties are pre-sold and the substantial risks derived from completion of the property are passed over to the purchaser.

Work in progress

Development work in progress is stated at the lower of cost and net realisable value. Interest and other attributable costs are included in the value of stock and work in progress where appropriate.

Joint arrangements

The business arrangements of the company are carried out through a joint arrangement that is not an entity ('JANE') as defined by Financial Reporting Standard No. 9. Accordingly the company accounts for its share of the JANE.

Cost of raising finance

In accordance with Financial Reporting Standard No. 4 costs incurred in raising finance are netted off against the loan proceeds and amortised over the life of the loan.

Investment in subsidiaries

Investments in subsidiary and associated undertakings are accounted using the equity method whereby the original cost of the investment is adjusted for changes in the value of the underlying net assets. Changes in the net asset value of subsidiaries allocated to a revaluation reserve except permanent diminution in value which are charged to the profit and loss account.

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

1. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2005 £	2004 £
United Kingdom	<u>879,801</u>	<u>3,873,087</u>

2. OPERATING PROFIT

Operating profit is stated after charging:

	2005 £	2004 £
Directors' emoluments	—	—
Auditors' remuneration - as auditors	<u>2,250</u>	<u>5,000</u>

3. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during the year.

4. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>31,017</u>	<u>510,079</u>
Profit/(loss) on ordinary activities by rate of tax	9,305	153,024
Group relief	(9,305)	(137,598)
Losses brought forward	—	(15,426)
Total current tax	<u>—</u>	<u>—</u>

5. DIVIDENDS

No dividend has been recommended for the year ended 31 October 2005.

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

6. INVESTMENTS

	Investment in subsidiaries £
COST	
Additions	2
At 31 October 2005	<u>2</u>
 NET BOOK VALUE	
At 31 October 2005	<u>2</u>

7. STOCKS

	2005 £	2004 £
Work in progress	<u>1,889,084</u>	<u>1,861,179</u>

Development work in progress includes £200,429 of interest (2004: £169,512).

8. DEBTORS

	2005 £	2004 £
Trade debtors	70,436	25,543
VAT recoverable	85,603	2,952
Other debtors	1,216,303	700,000
Prepayments and accrued income	182	157,565
	<u>1,372,524</u>	<u>886,060</u>

9. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	130,337	670,377
Trade creditors	172,822	86,481
Amounts owed to group undertakings	1,185,299	1,325,106
Amounts owed to undertakings in which the company has a participating interest	984,274	393,771
Accruals and deferred income	66,726	312,737
	<u>2,539,458</u>	<u>2,788,472</u>

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

10. CREDITORS: Amounts falling due after more than one year

	2005 £	2004 £
Bank loans and overdrafts	<u>691,133</u>	<u>—</u>
	2005 £	2004 £
Bank loans and overdraft		
Due between one - two years	715,528	—
Less: Unamortised finance costs	<u>(24,395)</u>	<u>—</u>
	<u>691,133</u>	<u>—</u>

The bank borrowings are secured on the development property.

11. FINANCIAL COMMITMENTS

The amount of capital expenditure authorised and contracted for at the year end was £684,658.

12. RELATED PARTY TRANSACTIONS

The controlling party of the company was Saffery Champness Trust Corporation, trustees of a life interest trust in which R F M Adair is a beneficiary. R F M Adair is a director of the ultimate parent company, Terrace Hill Group Plc.

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, 'Related Party Transactions', not to disclose any transactions with entities that are included in the consolidated financial statements of Terrace Hill Group Plc.

13. SHARE CAPITAL

Authorised share capital:

	2005 £	2004 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

14. PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
Balance brought forward	—	(225,703)
Retained profit for the financial year	<u>31,017</u>	<u>225,703</u>
Balance carried forward	<u>31,017</u>	<u>—</u>

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	31,017	510,079
Dividends	<u>—</u>	<u>(284,376)</u>
	31,017	225,703
Opening shareholders' equity funds/(deficit)	<u>2</u>	<u>(225,701)</u>
Closing shareholders' equity funds	<u>31,019</u>	<u>2</u>

16. ULTIMATE PARENT COMPANY

The immediate parent company is Terrace Hill Limited which is registered in England and Wales. The ultimate parent company is Terrace Hill Group Plc which is registered in Scotland.

Copies of the consolidated financial statements of Terrace Hill Group Plc are available from the company's registered office.