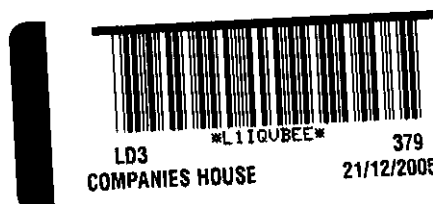




# **Silvertown Quays Limited**

## **Report and Financial Statements**

30 June 2005



## Silvertown Quays Limited

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Registered No: 03863230

### **Directors**

D W Taylor (Chairman)  
J L Jacobs  
Red Cedar Investments Inc  
Wakefield Investments Inc

### **Secretary**

Z Milne

### **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **Registered office**

58 Acacia Road  
St Johns Wood  
London  
NW8 6AG

### **Business address**

Pollen House  
10-12 Cork Street  
London  
W1S 3NP

## Directors' report

The directors present their report and financial statements for the year ended 30 June 2005, prepared in accordance with the special provisions relating to small companies under s246 Companies Act 1985.

### Results and dividends

The loss for the year amounted to £389,299 (2004 - £603,658). The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The principal activity of the company during the year was acting as master developer of Silvertown Quays, a major mixed use regeneration site located at London's Royal Docks. During the year the company received outline planning approval from the London Borough of Newham to develop 5,000 homes, high quality retail and leisure space and to promote the development of an international quality aquarium. The scheme is being taken forward in a joint venture with Kajima Urban Development (KUD) and in partnership with the London Development Agency and the Royal Zoological Society of London. The development capital for the project is being provided by Halifax Bank of Scotland (HBOS).

### Directors and their interests

The directors during the year and their interests in the share capital of the company were as follows:

	Ordinary shares of one third penny each at 30 June 2005	At 1 July 2004
D W Taylor	250	250
J L Jacobs	250	250
Red Cedar Investments Inc	200	200
Wakefield Investments Inc	200	200

### Auditors

The company has passed an elective resolution under s379A of the Companies Act 1985 to dispense with the obligation to reappoint auditors annually.

By order of the board



Z Milne  
Secretary

7<sup>th</sup> December 2005

## **Statement of directors' responsibilities in respect of the financial statements**

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; 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. 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 members of Silvertown Quays Limited**

We have audited the company's financial statements for the year ended 30 June 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of 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 applicable to small companies. 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**

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 United Kingdom law and 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 applicable to small companies. 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.

## **Independent auditors' report**

to the members of Silvertown Quays Limited (continued)

### **Fundamental uncertainty**

In forming our opinion we have considered the adequacy of the disclosures made in the accounts concerning the possible outcome of negotiations for continuing finance being made available. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments which would result from a failure to obtain funding. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2005 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Ernst & Young LLP  
Registered Auditor  
London

8 December 2005

## Profit and loss account

for the year ended 30 June 2005

	Notes	2005 £	2004 £
<b>Turnover</b>		-	-
Administrative expenses		366,317	590,374
		<hr/>	<hr/>
<b>Operating loss</b>	2	(366,317)	(590,374)
Interest receivable		92	-
Interest payable	5	(23,074)	(13,284)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(389,299)	(603,658)
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>		(389,299)	(603,658)
		<hr/>	<hr/>

## Statement of total recognised gains and losses

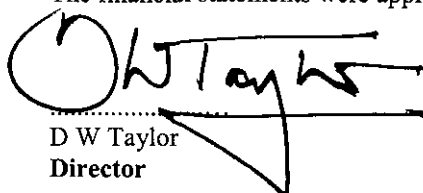
There are no recognised gains or losses other than the loss of £389,299 attributable to the shareholders for the year ended 30 June 2005 (2004 - loss of £603,658).

# **Balance sheet** at 30 June 2005

	Notes	2005 £	2004 £
<b>Fixed assets investments</b>	7	1	1
<b>Current assets</b>			
Stock	8	26,101,216	17,850,724
Debtors	9	239,188	6,684
Cash at bank		551,837	538,733
		<hr/>	<hr/>
		26,892,241	18,396,141
<b>Creditors: amounts falling due within one year</b>	10	(4,077,634)	(3,742,330)
		<hr/>	<hr/>
<b>Net current assets/( liabilities)</b>		22,814,607	14,653,811
<b>Creditors: amounts falling due after more than one year</b>	11	(23,853,403)	(15,303,308)
		<hr/>	<hr/>
<b>Net liabilities</b>		(1,038,795)	(649,496)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	3	3
Profit and loss account	13	(1,038,798)	(649,499)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		(1,038,795)	(649,496)
		<hr/>	<hr/>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

The financial statements were approved by the Board of Directors on 7<sup>th</sup> December 2005

  
D W Taylor  
Director

The notes on pages 8 to 12 form part of these accounts.



## Notes to the financial statements

at 30 June 2005

### 1. Accounting policies

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

#### **Going Concern**

The nature of the company's business is such that there can be considerable variation in the timing of cash inflows. The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facility currently agreed and within that which they expect will be agreed with the company's bankers to enable land development and the various builds to continue as planned. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

#### **Group accounts**

The company is exempt under S.248 of the Companies Act from preparing group accounts.

#### **Income recognition**

The company's entitlement to management fees, under the terms of its development management agreement with the London Development Agency will be recognised on the receipt of proceeds from the project.

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all expenditure directly associated with the Silvertown Quays development and includes interest on borrowings incurred to meet development costs.

#### **Deferred taxation**

Deferred taxation is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 2. Operating loss

	2005	2004
	£	£
This is stated after charging:		
Auditors' remuneration- fees	28,749	16,000

## Notes to the financial statements

at 30 June 2005

### 3. Directors emoluments

	2005 £	2004 £
Aggregate emoluments	160,000	80,000

### 4. Particulars of employees

	2005 £	2004 £
<b>Staff Costs</b>		
Wages & Salaries	114,333	110,353
Social Security Costs	4,029	3,192
	<u>118,362</u>	<u>113,545</u>

#### Average monthly number employed United Kingdom

Administration	1	1
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### 5. Interest payable

	2005 £	2004 £
Bank loans and overdrafts	1,290,809	699,692
Finance costs capitalised	(1,267,735)	(686,408)
	<u>23,074</u>	<u>13,284</u>

### 6. Tax on loss on ordinary activities

#### a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2005 £	2004 £
<i>Current tax:</i>		
UK Corporation tax	-	-
Tax on loss on ordinary activities (note b)	-	-

#### b) Factors affecting current tax charge:

	2005 £	2004 £
Loss on ordinary activities before tax	(389,299)	(603,658)

## Notes to the financial statements

at 30 June 2005

### b) Factors affecting current tax charge (continued):

Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 – 30%)	(116,790)	(181,097)
Expenses not deductible for tax purposes	60	-
Losses arising in the year not relieviable against current tax	68,952	181,097
Others	48,000	-
Capital Allowances in excess of depreciation	(222)	-
Total current tax (note a)	-	-

### c) Deferred Tax

A deferred tax asset of £250,049 (2004: £190,000) relating to other timing differences has not been recognised. In the opinion of the directors, there is not sufficient evidence presently available that income will be generated to support recovery of these assets.

## 7. Investments

	2005 £	2004 £
Cost		
1 July 2004	1	-
Additions	-	1
30 <sup>th</sup> June 2005	1	1

The investment represents 100 per cent of the ordinary share capital of Silvertown Quays Management Company Limited, a company incorporated in England and Wales which was dormant at the year end. The company's accounting reference date is 31<sup>st</sup> December.

## 8. Stocks

	2005 £	2004 £
Work in progress	26,101,216	17,850,724

Work in progress comprises costs incurred to date, including capitalised interest, on the Silvertown Quays development.

## 9. Debtors

	2005 £	2004 £
Prepayments	73,000	1,884
Other debtors	166,188	4,800
	239,188	6,684

## Notes to the financial statements

at 30 June 2005

### 10. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	659,455	1,920,451
Accruals and deferred income	3,371,936	1,748,434
Other taxation and social security	1,243	28,445
Other creditors	45,000	45,000
	<u>4,077,634</u>	<u>3,742,330</u>

### 11. Creditors: amounts falling due after more than one year

	2005 £	2004 £
<b>Bank loans</b>		
Between two and five years	23,853,403	15,303,308

The loans are secured on the company's interest in Silvertown Quays development. In July 2004, the company completed two interest rate swap agreements which fix rates at a weighted average of 7.1 percent. The loans are repayable in full on the earlier of 36 months from the date of first drawdown (July 2006) or the date on which all of the property has been disposed.

### 12. Share capital

	2005 £	Authorised 2004 £
300,000 ordinary shares of one third of one penny each.	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

	No.	2005 £	Allotted and called up 2004 No.	£
1,000 Ordinary shares of one third of one penny each. fully paid	1,000	3	1,000	3
	<u>1,000</u>	<u>3</u>	<u>1,000</u>	<u>3</u>

## Notes to the financial statements

at 30 June 2005

### 13. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	<i>£</i>	<i>account</i>	<i>holders' funds</i>
		<i>£</i>	<i>£</i>
At 1 July 2004	3	(649,499)	(649,496)
Loss for the year		(389,299)	(389,299)
At 30 June 2005	<u>3</u>	<u>(1,038,798)</u>	<u>(1,038,795)</u>

### 14. Related party transactions and transactions involving directors

On 28 October 2002, the company signed a development agreement with the London Development Agency in connection with a regeneration project at Silvertown in the London Borough of Newham. At the same time KUD Limited was appointed Project Manager in connection with the development. Two of the Silvertown Quays Limited's directors, Red Cedar Investments Inc and Wakefield Investments Inc are related parties of KUD Limited.

London & Southern Limited is owned by J L Jacobs and D W Taylor.

DTP Limited is owned by D W Taylor.

Landlegend Limited is owned by D W Taylor.

Propjack Management Limited is owned by J L Jacobs.

In the year to 30<sup>th</sup> June 2005, payments were made in the ordinary course of business to:

				Amounts Outstanding At 30 June 2005
London & Southern Limited	-	Nil	(2004 – £939,062)	-
DTP Limited	-	£114,149	(2004 – £144,004)	£18,536
Propjack Management Limited	-	£ 31,442	(2004 – £ 23,207)	£10,822
Landlegend Limited	-	£ 16,916	(2004 – £ 4,793)	£1,800

### 15. Financial commitments and contingent liabilities

On 3 July 2003, the company's assets became secured in respect of its obligations under its bank facilities and also in respect of certain obligations to the London Development Agency.

The company is committed to make further fee payments to KUD Limited once planning consent is obtained; at the balance sheet date, the commitment amounted to £2,139,896 (2004 - £1,339,904).