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Silvertown Quays Limited

Report and Financial Statements

30 June 2004



Silvertown Quays Limited

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 2004, 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 £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 property development and trading. During the year, the company negotiated and signed the terms of a development agreement with the London Development Agency relating to a site at Silvertown Quays in the London Borough of Newham.

In December 2003, a planning application was submitted to London Borough of Newham for the comprehensive development of this 50 acre site.

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 2004	At 1 July 2003
D W Taylor	250	200
J L Jacobs	250	200
Red Cedar Investments Inc	200	200
Wakefield Investments Inc	200	200
M E Pearse	-	200

M.E. Pearse resigned on 25th July 2003.

Auditors

Ernst & Young LLP were appointed auditors during the year following the resignation of HLB Audit plc.

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

18 NOV 2004

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 2004 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.

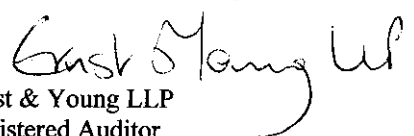
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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)

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 2004 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

22 November 2004

Profit and loss account

for the year ended 30 June 2004

	Notes	2004 £	2003 £
Turnover		-	-
Administrative expenses		590,374	44,091
		<hr/>	<hr/>
Operating loss	2	(590,374)	(44,091)
Interest payable	5	(13,284)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(603,658)	(44,091)
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss for the financial year		(603,658)	(44,091)
		<hr/>	<hr/>

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £603,658 attributable to the shareholders for the year ended 30 June 2004 (2003 - loss of £44,091).

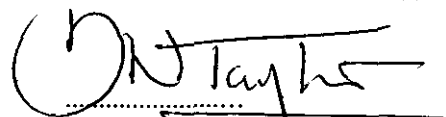
Balance sheet

at 30 June 2004

	Notes	2004 £	2003 £
Fixed assets investments	7	1	-
Current assets			
Stock	8	17,850,724	-
Debtors	9	6,684	10,729
Cash at bank		538,733	-
		<u>18,396,141</u>	<u>10,729</u>
Creditors: amounts falling due within one year	10	(3,742,329)	(56,567)
		<u>14,653,812</u>	<u>(45,838)</u>
Net current assets/(liabilities)			
Creditors: amounts falling due after more than one year	11	(15,303,308)	-
		<u>(649,496)</u>	<u>(45,838)</u>
Net liabilities			
Capital and reserves			
Called up share capital	12	3	3
Profit and loss account	13	(649,499)	(45,841)
		<u>(649,496)</u>	<u>(45,838)</u>
Equity shareholders' funds			
		<u>(649,496)</u>	<u>(45,838)</u>

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 18 NOV 2004


D W Taylor
Director

The notes on pages 8 to 11 form part of these accounts.

Notes to the financial statements

at 30 June 2004

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.

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:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- 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

	2004 £	2003 £
This is stated after charging:		
Auditors' remuneration- fees	16,000	4,000

3. Directors emoluments

	2004 £	2003 £
Aggregate emoluments	80,000	-

Notes to the financial statements

at 30 June 2004

4. Particulars of employees

	2004 Number	2003 Number
Average monthly number employed United Kingdom		
Administration	1	1

5. Interest payable

	2004 £	2003 £
Bank loans and overdrafts	699,692	-
Finance costs capitalised	(686,408)	-
	13,284	-

6. Tax on loss on ordinary activities

a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2004 £	2003 £
Current tax:		
UK Corporation tax	-	-
Tax on loss on ordinary activities (note b)	-	-

b) Factors affecting current tax charge:

	2004 £	2003 £
Loss on ordinary activities before tax	(603,658)	(44,091)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 – 30%)	(181,097)	(13,227)
Expenses not deductible for tax purposes	-	-
Losses arising in the year not relievable against current tax	181,097	13,227
Others	-	-
Total current tax (note a)	-	-

c) Deferred Tax

A deferred tax asset of £190,000 (2003: £13,000) 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.

Notes to the financial statements

at 30 June 2004

7. Investments

	2004 £	2003 £
Cost		
1 July 2003	-	-
Additions	1	-
30 th June 2004	<u>1</u>	<u>-</u>

The additions to investments in the year 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 31st December.

8. Stocks

	2004 £	2003 £
Work in progress	17,850,724	-

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

9. Debtors

	2004 £	2003 £
Prepayments	1,884	-
Other debtors	4,800	10,729
	<u>6,684</u>	<u>10,729</u>

10. Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	1,920,451	44,926
Accruals and deferred income	1,748,433	11,641
Other taxation and social security	28,445	-
Other creditors	45,000	-
	<u>3,742,329</u>	<u>56,567</u>

Notes to the financial statements

at 30 June 2004

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

	2004 £	2003 £
Bank loans		
Between two and five years	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.

12. Share capital

	2004 £	Authorised 2003 £
300,000 ordinary shares of one third of one penny each.	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

	No.	2004 £	No.	Allotted and called up 2003 £
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>

13. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 July 2002	2	(1,750)	(1,748)
Loss for the year		(44,091)	(44,091)
New equity share capital subscribed	1	-	1
At 30 June 2003	<u>3</u>	<u>(45,841)</u>	<u>(45,838)</u>
Loss for the year		(603,658)	(603,658)
At 30 June 2004	<u>3</u>	<u>(649,499)</u>	<u>(649,496)</u>

Notes to the financial statements

at 30 June 2004

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, M E Pearse and D W Taylor.

DTP Limited is owned by D W Taylor.

Propjack Management Limited is owned by J L Jacobs.

In the year to 30th June 2004, payments were made in the ordinary course of business to:

London & Southern Limited	-	£939,062	(2003 – nil)
DTP Limited	-	£144,004	(2003 – nil)
Propjack Management Limited	-	£ 23,207	(2003 – nil)

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 £1,339,904 (2003 - £497,352).