

Hillview Industrial Developments (UK)  
Limited

Reports and Financial Statements  
for the year ended  
31 December 2008



**HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

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**HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED**

**DIRECTORS AND OTHER INFORMATION**

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**DIRECTORS**

D. Brady  
D. P. McInerney

**SECRETARY**

Clyde Secretaries Limited

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2

**SOLICITORS**

Clyde & Co  
51 Eastcheap  
London  
EC3M 1JP

**BANKERS**

Bank of Ireland  
20 Berkeley Square  
London  
W1J 6LL

Bank of Ireland  
Corporate Banking  
Lower Baggot Street  
Dublin 2

**REGISTERED OFFICE**

51 Eastcheap  
London  
EC3M 1JP

**REGISTERED NUMBER  
OF INCORPORATION**

4604613

## HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED

### DIRECTORS' REPORT

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The directors present their report and audited financial statements for the year ended 31 December 2008.

#### PRINCIPAL ACTIVITY AND REVIEW OF DEVELOPMENTS

The principal activity of the company is that of property development.

#### FUTURE DEVELOPMENTS OF THE BUSINESS

The directors do not envisage any major changes in the activities of the company in the foreseeable future.

#### RESULTS FOR THE YEAR AND STATE OF AFFAIRS AT 31 DECEMBER 2008

The results for the year ended 31 December 2008 and the state of affairs of the company at 31 December 2008 are set out on pages 8 and 9 respectively of the financial statements.

#### GOING CONCERN

The directors wish to draw attention to Note 1 regarding the basis of preparation of the accounts.

#### DIRECTORS AND SECRETARY

The present membership of the Board is set out on page 2.

#### DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

Neither of the directors nor the secretary had any interest in the shares of the company at any time during the year.

#### AUDITORS

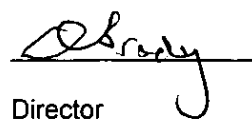
Each of the persons who is a director at the date of approval of this report confirms that:

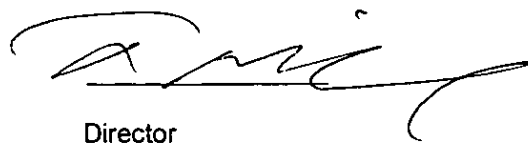
- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche, Chartered Accountants, continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board:

  
Director

  
Director

Date: 18/6/2009

## **HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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United Kingdom 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for that period.

In preparing the 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have responsibility for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which 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 HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED**

We have audited the financial statements of Hillview Industrial Developments (UK) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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 Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit 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.

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.

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED

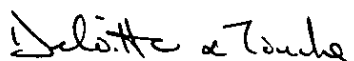
### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss 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 Directors' Report is consistent with the financial statements.

### Emphasis of matter – Going concern

Without qualifying our opinion, we draw your attention to Note 1 to the financial statements. Note 1 indicates that, based on present market conditions and the current consolidated forecasts of the company's ultimate parent company, McInerney Holdings plc, compliance with its banking covenants is expected for the foreseeable future. If market conditions deteriorate beyond those assumed in current forecasts then it may breach certain of these covenants. Discussions between the company's ultimate parent company and its relevant lenders are ongoing and the Directors are satisfied that revisions of covenants, if any are required, will be agreed. Breach of covenants and failure to agree revised covenants may result in the group's bank debt becoming repayable on demand. This issue indicates the existence of a material uncertainty which may cast significant doubt on the group's ability to provide support to the company and hence the company's ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the company were unable to continue as a going concern.



Chartered Accountants and Registered Auditors  
Dublin

Date: 18/6/2009

## **HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES**

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The significant accounting policies adopted by the company are as follows:

#### **BASIS OF PREPARATION**

The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with the Companies Act, 1985.

#### **ACCOUNTING CONVENTION**

The financial statements are prepared under the historical cost convention.

#### **TURNOVER, PROFIT AND STOCK**

Developed properties held for resale are included in stock at the lower of cost and net realisable value. Turnover and profits are recognised at the time of unconditional contracts for sale.

#### **INTEREST**

Interest payable by the company is written off against profit except in the case of commercial development properties in the course of construction, where interest is carried in work in progress.

#### **TAXATION**

Corporation tax is provided on taxable profits at current rates.

#### **FOREIGN CURRENCIES**

Transactions during the period denominated in foreign currencies have been translated at the rate of exchange ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated to Sterling at the rate of exchange ruling at the balance sheet date and exchange differences are dealt with in the profit and loss account.



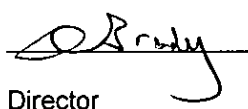
# HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 Stg£	2007 Stg£
<b>TURNOVER</b>	2	-	-
Cost of sales		-	-
Impairment of land and inventory	3	(2,722,637)	-
<b>GROSS LOSS</b>		<u>(2,722,637)</u>	<u>-</u>
Administrative expenses		(510,155)	(299,519)
Interest receivable		33,159	-
Interest payable		(51,323)	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	<u>(3,250,956)</u>	<u>(299,519)</u>
Taxation	5	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	10	<u><u>(3,250,956)</u></u>	<u><u>(299,519)</u></u>

All gains and losses have been recognised in the profit and loss account and arose solely from continuing activities. There has been no movement on shareholders' funds other than the loss for the year.

The financial statements were approved by the Board of Directors on 18/1/2009 and signed on its behalf by:

  
Director

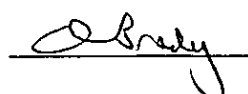
  
Director

HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2008 Stg£	2007 Stg£
<b>CURRENT ASSETS</b>			
Stocks	6	6,527,805	3,166,084
Debtors	7	17,602	3,817
Cash at bank and in hand		-	10,126
		<u>6,545,407</u>	<u>3,180,027</u>
<b>CREDITORS:</b> (Amounts falling due within one year)	8	(9,427,182)	(2,810,846)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(2,881,775)</u>	<u>369,181</u>
<b>TOTAL NET (LIABILITIES)/ASSETS</b>		<u>(2,881,775)</u>	<u>369,181</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called-up share capital	9	100	100
Profit and loss account	10	(2,881,875)	369,081
<b>SHAREHOLDERS' (DEFICIT)/FUNDS</b>	11	<u>(2,881,775)</u>	<u>369,181</u>

The financial statements were approved by the Board of Directors on 18/6/2009 and signed on its behalf by:

  
Director

  
Director

## HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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#### 1. GOING CONCERN

The financial statements have been prepared on a going concern basis.

The company is dependent on guarantees provided by the company's immediate parent, Hillview Development Limited to fund its working capital requirements. Hillview Developments Limited is dependent upon the group facilities held by the ultimate parent company, McInerney Holdings Plc ("the group").

The Chairman's Statement and the Directors' Report of McInerney Holdings Plc refers to the challenging operating environment experienced during 2008, with market and general economic conditions in the UK and Ireland deteriorating progressively. The influence of the global downturn resulted in restricted access to mortgage funds, diminished consumer confidence and a significant slowdown in home buying activities as the year progressed. As a result, the group has made trading losses before exceptional items of €47m, has written down the value of goodwill by €40m and certain land and work in progress by €110m in 2008. In addition, the group incurred costs of €10m in relation to the restructuring of the group's operations. The Group had net assets of €94m at 31 December 2008.

As at 31 December 2008, the group had bank loans of €246m from its Irish and UK lenders. On 10 March 2009, the Group concluded an agreement with its UK syndicate of banks to extend the maturity dates of the UK facilities to 31 March 2010. The Irish facilities continue to have maturity dates in 2011.

During 2008, the group forecasted potential breaches of certain banking covenants and successfully renegotiated those covenants. In order to match the business's focus on cash generation, certain revised covenants are now based on cash generation and sales rather than earnings. Prior to the year-end, deferral of measurement of certain covenants was agreed with the group's lenders to allow for renegotiation in the context of a further review of impairment of assets. Subsequent to the year-end, revised covenants taking account of the impairment of assets as at 31 December 2008 have been agreed.

Based on current market conditions, and the group's current forecasts, compliance with these revised covenants is expected for the foreseeable future. However in the event of the Irish and UK building sectors deteriorating beyond that assumed in the group's current forecasts then the group may breach these covenants. In particular the covenants require the group, to have a minimum specified tangible net assets value as measured periodically during the year and at 31 December 2009.

If any covenant breaches were to occur then the lenders may be able to request early repayment of all outstanding borrowings. The Directors have concluded that these circumstances represent a material uncertainty that may cast doubt on the group's ability to provide support to the company and hence the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would be necessary if the company were unable to continue as a going concern.

However the Directors are satisfied that constructive discussions with the relevant lenders are ongoing and that covenant revisions, if required, will be agreed enabling the group to provide support to the company and hence the company's ability to continue as a going concern and therefore consider it appropriate to prepare the financial statements on a going concern basis.

#### 2. TURNOVER

	2008 Stg£	2007 Stg£
Property development	-	-

Turnover arises solely in the UK.

**HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**3. IMPAIRMENT OF LAND AND INVENTORY**

Land and inventory impairments represent a write down in the value of the land and inventory controlled by the Company to reflect current market conditions. A full review of inventories has been performed and write downs have been made where cost exceeds net realisable value.

**4. LOSS ON ORDINARY ACTIVITIES  
BEFORE TAXATION**

**2008**  
**Stg£**                      **2007**  
**Stg£**

Loss on ordinary activities before taxation  
is stated after charging:

Directors' remuneration

-                      -

Auditors' remuneration

-                      -

Foreign exchange loss

**221,252**                      **63,025**

Auditors' and directors' remuneration are borne by a fellow group company.

**5. TAXATION**

**2008**  
**Stg£**                      **2007**  
**Stg£**

Taxation based on loss for the year

-                      -

**Factors affecting tax charge for the year:**

Loss on ordinary activities before taxation

**(3,250,956)**                      **(299,519)**

Loss on ordinary activities multiplied  
by standard rate of taxation of 28% (2007: 30%)

**(910,268)**                      **(89,856)**

**Effects of:**

Income at higher tax rates

**3,496**                      -

Group relief

-                      89,856

Relief for losses on a value basis

**906,772**                      -

-                      -

**6. STOCK**

**2008**  
**Stg£**                      **2007**  
**Stg£**

Work in progress

**6,527,805**                      **3,166,084**

Interest of Stg£Nil (2007: Stg£139,585) is included in the above balance.

# HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

<b>7. DEBTORS</b>	<b>2008 Stg£</b>	<b>2007 Stg£</b>
Amounts falling due within one year		
VAT recoverable	15,822	1,487
Other debtors	1,780	2,130
Corporation tax	-	200
	<u>17,602</u>	<u>3,817</u>

<b>8. CREDITORS: (Amounts falling due within one year)</b>	<b>2008 Stg£</b>	<b>2007 Stg£</b>
Trade creditors	115,685	65,206
Bank loan	7,746,946	1,459,589
Amounts due to group undertaking	1,501,831	1,286,051
Bank overdraft	62,720	-
	<u>9,427,182</u>	<u>2,810,846</u>

Bank loans are secured by way of a first legal charge over Hillview Industrial Developments (UK) Limited's development land. There are cross guarantees between M50 Developments Limited, Hillview Industrial Developments Limited and Hillview (Croydon) Limited. There are also letters of guarantee in place from Hillview Developments Limited to the sum of €7,950,000 (2007: €7,950,000).

<b>9. SHARE CAPITAL</b>	<b>2008 Stg£</b>	<b>2007 Stg£</b>
<b>Authorised:</b>		
100 Ordinary shares of Stg£1 each	100	100
<b>Allotted, called-up and fully paid:</b>		
100 Ordinary shares of Stg£1 each	100	100

<b>10. PROFIT AND LOSS ACCOUNT</b>	<b>2008 Stg£</b>	<b>2007 Stg£</b>
Balance at 1 January	369,081	668,600
Total gains and losses relating to the year	(3,250,956)	(299,519)
Balance at 31 December	<u>(2,881,875)</u>	<u>369,081</u>

**HILLVIEW INDUSTRIAL DEVELOPMENTS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

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**11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>2008</b>	<b>2007</b>
	<b>Stg£</b>	<b>Stg£</b>
Opening shareholders' funds	<b>369,181</b>	668,700
Loss for the year	<b>(3,250,956)</b>	(299,519)
Closing shareholders' (deficit)/funds	<b><u>(2,881,775)</u></b>	<u>369,181</u>

**12. RELATED PARTY TRANSACTIONS**

The company has elected to avail of the disclosure exemption available to subsidiary undertakings in accordance with Financial Reporting Standard 8.

**13. CASH FLOW STATEMENT**

In accordance with the exemptions provided by Financial Reporting Standard 1, the company has not presented a cash flow statement for the year.

**14. GROUP MEMBERSHIP**

The company is a wholly owned subsidiary of Hillview Developments Limited. The ultimate holding company is McInerney Holdings plc., a publicly listed company incorporated in the Republic of Ireland.