Taylor Clark Properties Limited

Directors' report and financial statements

Registered number SC26722

31 March 2006

Contents

Directors and advisers

Directors
TJA Simon FRICS (Chairman)
JS Brand FRICS (Managing Director)
JA Dippie FCA
CP Edwards FRICS
JWW Fox MRICS
RJ Harvey

Secretary

Taylor Clark plc

Registered office

5 Drummond Street
Inverness
IV1 1QF

London office

32 Haymarket
London
SW1Y 4TP
020 7930 8494

Auditors

KPMG LLP

Bankers

Clydesdale Bank plc

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Principal activities

The principal activity of the company is commercial and residential property development in England and Scotland.

Business review

The results for the year are set out in the profit and loss account on page 6 and the related notes.

Proposed dividend

The directors recommend the payment of a dividend for the year of £380,000 (2005: £Nil). This dividend will be accounted for in the year ended 31 March 2007.

Directors and Directors' interests

The Directors in office at the date of this report are set out on page 1.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Mr Harvey is also a director of Taylor Clark plc, the ultimate parent company, and his interests in the shares of Taylor Clark plc are disclosed in the directors' report of that company. The other directors had no interest in the shares of other group companies.

According to the register of directors' interests, no right to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

JA Dippie for Taylor Clark plc
Secretary

12 July 2006

32 Haymarket
London
SW1Y 4TP

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' 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 UK Accounting Standards.

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 judgments 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; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

6 Lower Brook Street
Ipswich
IP4 1AP
United Kingdom

Independent auditors' report to the members of Taylor Clark Properties Limited

We have audited the financial statements of Taylor Clark Properties Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared 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 auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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. We also 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 within it.

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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 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 Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

12 July 2006

Profit and loss account

for the year ended 31 March 2006

	Note	2006 £000	2005 £000
Turnover	2	**1,971**	9,523
Cost of sales		**(418)**	(8,254)
Gross profit		**1,553**	1,269
Administrative expenses		**(717)**	(441)
Operating profit		**836**	828
Income from shares in group undertakings		**515**	-
Profit before interest		**1,351**	828
Interest receivable and similar income	5	**306**	43
Interest payable and similar charges	6	**(231)**	(377)
Profit on ordinary activities before taxation	3	**1,426**	494
Tax on profit on ordinary activities	7	**(221)**	(148)
Profit for financial year		**1,205**	346

Continuing operations

All items dealt with in arriving at the operating profit for 2006 and 2005 relate to continuing operations.

Statement of total recognised gains and losses

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year as stated in the profit and loss account above, and their historical cost equivalents.

Balance sheet

at 31 March 2006

	Note	2006		2005	
		£000	£000	£000	£000
Fixed assets					
Shares in group undertakings	9		11,200		11,200
Current assets					
Property and developments		7,732		6,032	
Debtors	10	17,936		18,007	
Cash at bank		426		45	
		26,094		24,084	
Creditors: amounts falling due within one year	11	(15,375)		(12,389)	
Net current assets			10,719		11,695
Creditors: amounts falling due after more than one year	12		-		(2,181)
Net assets			21,919		20,714
Capital and reserves					
Called up share capital	13		17,500		17,500
Profit and loss account			4,419		3,214
Equity shareholders' funds	14		21,919		20,714

These financial statements were approved by the board of directors on 12 July 2006 and were signed on its behalf by:

R Harvey
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Where the company is party to a joint arrangement which is not an entity, the company accounts directly for its part of the income and expenditure, assets, liabilities and cashflows.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking of Taylor Clark plc, which is incorporated in Great Britain, and whose consolidated financial statements include a consolidated cash flow statement which includes the cash flows of the company.

Related party disclosures

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions with other group companies on the grounds that it is a wholly-owned subsidiary undertaking.

Property and developments

Property and developments are stated at the lower of cost and open market value. Cost comprises the original cost of the property, together with subsequent third party development costs until the property is complete and available for use.

Investments

Investments held as fixed assets are shown at cost less provision, where in the opinion of the directors there has been a permanent diminution in value.

Turnover

Turnover comprises the proceeds from the sale of properties, rental income and management fee income excluding VAT.

Taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

2 Turnover

	2006	2005
	£000	£000
Turnover comprises:		
Proceeds from sale of properties	**1,965**	9,208
Rental income	**6**	315
	1,971	9,523

All turnover arose in the UK.

3 Profit on ordinary activities before taxation

	2006	2005
	£000	£000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**12**	12
Other services	**9**	7
Management charge from parent company	**654**	378

The management team of Taylor Clark Properties Limited is employed by Taylor Clark plc, the parent company. The management charge includes the cost of the management team's remuneration and accommodation.

4 Directors' remuneration

	2006	2005
	£000	£000
Directors		
Directors' emoluments	**458**	229

The aggregate of emoluments (excluding pension contributions) of the highest paid director were £214,000 (*2005:* £101,000). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from his normal retirement date if he were to retire at the year end, was £18,683 (*2005:£* 15,977).

	Number of directors	
	2006	2005
Retirement benefits are accruing to the following number of directors under a defined benefit scheme	**2**	2

Certain of the directors of the company are members of the Taylor Clark plc Retirement and Death Benefit Scheme, details of which can be found in the accounts of Taylor Clark plc.

Notes *(continued)*

5 Interest receivable and similar income

	2006 £000	2005 £000
Bank interest	**32**	14
On loans to parent company	**274**	29
	306	43

6 Interest payable and similar charges

	2006 £000	2005 £000
On bank loans and overdrafts	**231**	66
On loans from parent company	**-**	311
	231	377

7 Taxation

Analysis of charge in year

UK corporation tax	2006 £000	2005 £000
Corporation tax payable for the year	**426**	206
Prior year adjustment	**(52)**	-
Total current tax	**374**	206
Deferred tax	**(153)**	(58)
Tax on profit on ordinary activities	**221**	148

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than *(2005: higher than)* the standard rate of corporation tax in the UK 30% *(2005: 30%)*. The differences are explained below:

	2006	2005
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,426**	494
Current tax charge at 30% *(2005: 30%)*	**428**	148
Effects of		
Tax losses not available for offset	**153**	58
Tax credit on group income	**(155)**	-
Prior year adjustment	**(52)**	-
Total current tax charge (see above)	**374**	206

Factors that may affect future tax charges
At the year end there were no significant circumstances that were likely to affect future tax charges.

8 Dividends

The directors have proposed a final dividend of £380,000 *(2005: Nil)*. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

9 Fixed asset investments

	Shares in group undertakings £000
At cost	
At 1 April 2005 and 31 March 2006	11,200

The company owns the entire share capital of the following property companies incorporated in England and Wales:

Company	Activity
Aqueous Business Centres Limited	Dormant
Aqueous Business Centres Birmingham Limited	Dormant *
TCP Chertsey Limited	Business centre operator
TCP Flat 12 Limited	Dormant
TCP Winchester Limited	Property development
TCP Citypoint Limited	Property development
TCP Canterbury Limited	Dormant
TCP Worcester Limited	Dormant

*owned by a subsidiary undertaking

In addition the company owns 50% of the share capital in each of the under noted companies which have been accounted for as a joint arrangements that are not entities (as defined by FRS 9). Accordingly, the cost of these investments is not shown above, as the company accounts directly for its share of the income and expenditure, assets, liabilities and cash flows of the companies.

Equinox 2001 Limited, a property development company incorporated in Scotland. This company was put into members voluntary liquidation on 25 January 2006.
Bowmore Estates Limited, a property development company incorporated in England and Wales.

In the opinion of the directors, the investments are worth at least the amount at which they are stated in the balance sheet.

10 Debtors

	2006 £000	2005 £000
Amounts due within one year		
Tax recoverable	1	-
Amounts due from parent company	6,002	6,305
Amounts due from group undertakings	11,072	11,586
Other debtors	650	58
	17,725	17,949
Amounts due after more than one year		
Deferred taxation	211	58
	17,936	18,007

The deferred tax asset represents the company's share of the trading tax losses in Bowmore Estates Limited.

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Bank loans and overdraft	4,584	-
Trade creditors	111	2,225
Accruals and deferred income	486	25
Amounts due to parent company	-	40
Amounts due to group undertakings	9,883	9,990
Other creditors	311	109
	15,375	12,389

12 Creditors: amounts falling due after more than one year

	2006	2005
	£000	£000
Bank loans	-	2,181

The bank loans are secured on property developments held by Bowmore Estates Limited and bear interest at Barclays Bank PLC base rate plus 1.25%. The loans are all repayable within 12 months.

13 Called up share capital

	2006	2005
	£000	£000
Authorised, called up and fully paid		
Ordinary shares of £1 each	17,500	17,500

14 Reconciliation of movement in shareholders' funds

	2006	2005
	£000	£000
Profit for the financial year	1,205	346
Opening shareholders' funds	20,714	20,368
Closing shareholders' funds	21,919	20,714

Notes *(continued)*

15 Capital commitments

No provision has been made in the financial statements in respect of financial commitments of £Nil (2005: £94,000) which relate to payments which will become due under contracts entered into for the purchase of land and buildings and the construction or redevelopment of properties.

The company has entered into an agreement with a third party to provide funding for a property development by the third party. The funding is secured by a second charge on the property and the loan will bear interest at 2.0% above the base rate of Barclays Bank PLC. The total commitment is to provide funding of £1,003,758 of which £420,850 had been advanced at 31 March 2006 (2005: £Nil). The loan will be repaid from the proceeds of sale of the development.

16 Contingent liability

The company, together with certain of its fellow group undertakings, has group facilities with its bankers. In connection with these facilities each participating undertaking has guaranteed the debt due by its fellow participating undertakings to its bankers. The company's potential liability under the guarantee at 31 March 2006 was £14,470,758 (2005: £13,253,738).

17 Related party disclosures

The company had an investment in Equinox 2001 Limited ('Equinox') which was acquired in the year ended 31 March 2001. The company owned 50% of the voting rights of this property development company and exercised joint control of this investment which is deemed to be a joint arrangement which is not an entity as defined by FRS 9.

During the year ended 31 March 2006 the company received £60,875 (2005: £9,500) from Equinox. On 25 January 2006 Equinox was put into members voluntary liquidation. At 31 March 2006 the amount due to Equinox was £Nil (2005: £60,350).

The company has an investment in Bowmore Estates Limited ('Bowmore') which was acquired in the year ended 31 March 2005. The company owns 50% of the voting rights of this property development company and exercises joint control of this investment which is deemed to be a joint arrangement which is not an entity as defined by FRS 9.

During the year ended 31 March 2006 the company advanced funding loans to Bowmore totalling £1,679,000 (2005: £1,587,500). At 31 March 2006 the principal of the loan was £3,266,500 (2005:£1,587,500) and interest of £235,192 (2005:£60,355) was accrued on the loan. In addition to the amount already advanced at 31 March 2006 the company is committed to provide up to £729,743 of funding to Bowmore.

The company and its joint venture partner have given joint and several guarantees for the obligations of Bowmore under two building contracts to the value of £7,113,000 at 31 March 2006 (2005:£3,400,000).

18 Ultimate parent company and parent undertaking of a larger group of which the company is a member and ultimate controlling parties

The company's ultimate parent company is Taylor Clark plc which is incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Taylor Clark plc. The consolidated accounts of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

Mr R Clark and his family and Mr C Clark are the ultimate controlling parties of the company.