

SOUTH EASTERN RECOVERY II LIMITED

Report and Accounts

For the 18 months to 31 October 2003



South Eastern Recovery II Limited

COMPANY INFORMATION

DIRECTORS

M A Kelly
D R Macdonald

SECRETARY

Park Circus (Secretaries) Ltd
James Sellars House
144 West George Street
Glasgow
G2 2HG

REGISTERED OFFICE

James Sellars House
144 West George Street
Glasgow
G2 2HG

REGISTERED NUMBER

SC130778

AUDITORS

BDO Stoy Hayward LLP
Ballantine House
168 West George Street
Glasgow
G2 2PT

South Eastern Recovery II Limited

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the 18 months to 31 October 2003.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was the provision and letting of residential property.

FIXED ASSETS

Movements in fixed assets are set out in note 5 of the accounts

RESULTS AND DIVIDENDS

The results of the company for the 18 months to 31 October 2003 are set out in detail on page 5.

The directors do not recommend the payment of a dividend.

THE DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

D R Macdonald

M A Kelly

S D H Cufley (resigned 23 December 2002)

No director had any interest in the share capital of the company during the period.

The directors of the company as at 31 October 2003 were also directors of Terrace Hill Group plc (formerly CapitalTech plc), the company's ultimate parent company, and their interests in the ordinary shares of 2p each of Terrace Hill Group plc as at that date are listed in the report of the directors of Terrace Hill Group plc for the 18 months to 31 October 2003.

AUDITORS

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the Board



D R Macdonald
Director

7 May 2004

South Eastern Recovery II Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period 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 period. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

South Eastern Recovery II Limited

Independent Auditors' Report to the Members of South Eastern Recovery II Ltd for the 18 months to 31 October 2003

We have audited the financial statements of South Eastern Recovery II Ltd for the 18 months to 31 October 2003 on pages 5 to 11. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

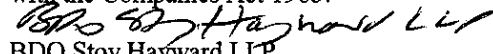
Basis of audit opinion

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 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors

GLASGOW

7 May 2004

South Eastern Recovery II Limited

PROFIT AND LOSS ACCOUNT for the 18 months to 31 October 2003

	Notes	18 months to 31 October 2003 £	Year to 30 April 2002 £
TURNOVER	2	246,332	22,543
Operating expenses		(45,397)	(11,615)
GROSS PROFIT		200,935	10,928
Administrative expenses		1,084	(2,162)
OPERATING PROFIT		202,019	8,766
Gain/(Loss) on sale of fixed assets		97,285	(1,317)
Interest receivable		3,483	284
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	302,787	7,733
Tax on profit on ordinary activities	4	(21,716)	(1,454)
RETAINED PROFIT FOR THE PERIOD	9	281,071	6,279

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	18 months to 31 October 2003 £	Year to 30 April 2002 £
Profit for the period	281,071	6,279
Unrealised surplus on revaluation of investment properties	878,100	80,000
Total recognised gains and losses	1,159,171	86,279

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	18 months to 31 October 2003 £	Year to 30 April 2002 £
Reported profit on ordinary activities before taxation	302,787	7,733
Realised surplus on previously revalued property	-	41,973
Historical cost profit on ordinary activities before taxation	302,787	49,706
Historical cost profit retained after taxation and dividends	281,071	48,252

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

South Eastern Recovery II Limited

BALANCE SHEET at 31 October 2003

	Notes	31 October 2003 £	30 April 2002 £
FIXED ASSETS			
Tangible assets	5	5,298,500	286,217
CURRENT ASSETS			
Debtors	6	3,801,983	3,603,145
Cash at bank		638,865	1,960
		<u>4,440,848</u>	<u>3,605,105</u>
CREDITORS: amounts falling due within one year	7	<u>(4,816,085)</u>	<u>(127,230)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(375,237)</u>	<u>3,477,875</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,923,263</u>	<u>3,764,092</u>
CAPITAL AND RESERVES			
Called up equity share capital	8	2,045,393	2,045,393
Share premium account	9	1,102,714	1,102,714
Revaluation reserve	9	1,007,290	129,190
Profit and loss account	9	767,866	486,795
Equity shareholders' funds	9	<u>4,923,263</u>	<u>3,764,092</u>

Approved by the Board.



D R Macdonald
Director

7 May 2004

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

South Eastern Recovery II Limited

NOTES TO THE ACCOUNTS at 31 October 2003

2. TURNOVER

	<i>18 months to 31 October 2003</i>	<i>Year to 30 April 2002</i>
	£	£
Rent receivable (before deduction of expenses)	246,332	22,543

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after charging:

	<i>18 months to 31 October 2003</i>	<i>Year to 30 April 2002</i>
	£	£
Depreciation	1,217	408
(Gain)/Loss on disposal of investment properties	(97,285)	1,317

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>18 months to 31 October 2003</i>	<i>Year to 30 April 2002</i>
	£	£
Current tax		
UK corporation tax on profits of the period	21,716	-
Adjustment in respect of previous years:		
UK corporation tax	-	1,454
Taxation on profit on ordinary activities	21,716	1,454

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below: -

	<i>2003</i>	<i>2002</i>
	£	£
Profit/(Loss) on ordinary activities before tax	302,787	7,733

South Eastern Recovery II Limited

NOTES TO THE ACCOUNTS

at 31 October 2003

4. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (CONTINUED)

	2003 £	2002 £
Profit on ordinary activities multiplied by the standard rate of UK Corporation tax of 30%	90,836	2,320
Expenses not deductible for tax purposes	365	-
Capital Gains	28,525	8,623
Wear and Tear allowance less depreciation	(3,898)	(903)
Capital allowances	(361)	-
(Gain)/Loss on sale	(29,185)	395
Losses brought forward utilised	-	(8,623)
Group relief	(64,566)	(1,812)
Current tax charge for the period	21,716	-
Adjustment in respect of previous years: Underprovision	-	1,454
	21,716	1,454

5. TANGIBLE FIXED ASSETS

	<i>Freehold Investment Property At Valuation £</i>	<i>Fixtures & Fittings At Cost £</i>	<i>Total £</i>
<i>Cost or valuation:</i>			
At 1 May 2002	285,000	3,070	288,070
Disposals	(576,251)	-	(576,251)
Additions	4,711,651	-	4,711,651
Revaluation	878,100	-	878,100
At 31 October 2003	5,298,500	3,070	5,301,570
<i>Depreciation:</i>			
At 1 May 2002	-	1,853	1,853
Charge for the period	-	1,217	1,217
At 31 October 2003	-	3,070	3,070
<i>Net Book Value:</i>			
At 31 October 2003	5,298,500	-	5,298,500
At 30 April 2002	285,000	1,217	286,217

At 31 October 2003, the freehold investment property has been valued by the directors based on professional advice during the period.

The historical cost of the investment properties is £4,291,210 (2002 £155,810). No provision has been made for the liability to tax from capital gains amounting to £212,643 (2002 £Nil) which would arise if the investment properties were to be sold at their book values.

South Eastern Recovery II Limited

NOTES TO THE ACCOUNTS

at 31 October 2003

6. DEBTORS

	<i>31 October</i>	<i>30 April</i>
	<i>2003</i>	<i>2002</i>
	£	£
Trade debtors	30,608	1,625
Amount due by group undertakings	184,716	184,716
Amount due by ultimate parent undertaking	1,498,805	1,326,022
Amount due by immediate parent undertaking	2,013,847	2,004,638
Other debtors	70,239	82,224
Prepayments and accrued income	3,768	3,920
	<u>3,801,983</u>	<u>3,603,145</u>

All amounts shown under debtors fall due for payment within one year.

7. CREDITORS: amounts falling due within one year

	<i>31 October</i>	<i>30 April</i>
	<i>2003</i>	<i>2002</i>
	£	£
Trade creditors	19,825	3,635
Corporation tax	21,716	-
Other creditors	-	41,229
Amounts owed to group undertakings	4,765,546	81,353
Accruals and deferred income	8,998	1,013
	<u>4,816,085</u>	<u>127,230</u>

8. SHARE CAPITAL

	<i>31 October</i>	<i>30 April</i>
	<i>2003</i>	<i>2002</i>
	£	£
Authorised share capital: 15,000,000 ordinary shares of £0.50 each	<u>7,500,000</u>	<u>7,500,000</u>
Allotted, called up and fully paid: Ordinary share capital	<u>2,045,393</u>	<u>2,045,393</u>

South Eastern Recovery II Limited

NOTES TO THE ACCOUNTS

at 31 October 2003

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share Capital £</i>	<i>Share Premium Account £</i>	<i>Revaluation Reserve £</i>	<i>Profit and Loss Account £</i>	<i>Total shareholders' Funds £</i>
At 1 April 2001	2,045,393	1,102,714	91,163	438,543	3,677,813
Profit for the year	-	-	-	6,279	6,279
Surplus on revaluation of investment properties	-	-	80,000	-	80,000
Transfer to profit and loss account on disposal	-	-	(41,973)	41,973	-
At 30 April 2002	2,045,393	1,102,714	129,190	486,795	3,764,092
Profit for period	-	-	-	281,071	281,071
Surplus on revaluation of investment properties	-	-	878,100	-	878,100
Transfer to profit and loss account on disposal	-	-	-	-	-
At 31 October 2003	2,045,393	1,102,714	1,007,290	767,866	4,923,263

10. CONTINGENT LIABILITIES

There exists inter-company guarantees to the bank from this and other companies in the group for an unlimited amount in respect of group borrowings. These borrowings are secured by way of a standard security and a bond and floating charge over the assets of the company.

11. RELATED PARTY TRANSACTIONS

As a company of which 100% of the voting rights are controlled within Terrace Hill Group plc, the company has taken advantage of the exemption within FRS 8 not to disclose related party transactions with fellow group companies.

12. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is PCG Residential Lettings (No.7) Limited. The directors consider that Terrace Hill Group plc (registered in Scotland) is the company's ultimate parent company. This is the only parent undertaking for which group accounts are drawn up and of which the company is a member. The address from which copies of these group accounts are available to the public is: Terrace Hill Group plc, James Sellars House, 144 West George Street, Glasgow G2 2HG.