

**STRADA DEVELOPMENTS LIMITED**

**Report and Financial Statements**

**31 December 2004**

**Deloitte & Touche LLP**  
Birmingham



# **STRADA DEVELOPMENTS LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2004**

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# **STRADA DEVELOPMENTS LIMITED**

## **REPORT OF THE DIRECTORS**

The directors submit their annual report and the audited financial statements for the year to 31 December 2004.

### **PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS**

The activity of the company is the building and development of residential accommodation at the site of the former VA Tech Works, Pilton Drive, Edinburgh.

Work on the site continued during the year and is progressing in line with the directors' expectations. Financial completions on the site commenced during the year in line with directors' expectations.

### **Results and dividends**

During the year under review, the company generated turnover and cost of sales and as a result, gross profit to the value of £4,631,893. The Company also incurred administrative expenses and net interest charges. As a result, there is a retained profit for the year of £2,581,353. The net interest charge for the year includes interest charge of £1,013,764 relating to long-term finance loans. The directors do not recommend the payment of a dividend.

### **Directors and their interests**

The following persons held office as directors during the year under review:

David Knight

Alexander Anderson

David Gaffney

Richard Phillips

Steven Fowler

Appointed 23 November 2004

Kenneth Haldane

Resigned 30 April 2004

David Mitchell

Resigned 3 November 2004

David Kennedy

Appointed 30 April 2004; Resigned 5 January 2005

James Kirkpatrick was appointed a director on 5 January 2005

### **Election of directors**

In accordance with the Articles of Association, the directors do not retire by rotation.

### **Directors' interests in shares of the company**

No directors have any interests in the shares of the company.

### **Directors' interests in contracts**

No director has an interest in any contracts or arrangements with the company other than by virtue of directorships, or other interests, held in the member companies, or other companies within their respective groups.

### **Going concern**

The company has long term funding for the development of the site. The financial statements have therefore been prepared on a going concern basis.

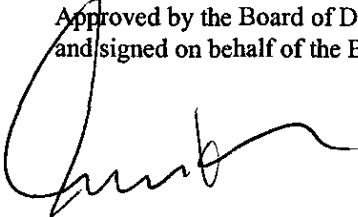
# **STRADA DEVELOPMENTS LIMITED**

## **REPORT OF THE DIRECTORS (Continued)**

### **Auditors**

Pursuant to Section 386 of the Companies Act 1985, an elective resolution has been passed dispensing with the requirement to appoint auditors annually. In accordance with section 386(2) Deloitte & Touche LLP therefore continue in office until the company or the auditors determine otherwise.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'J P Hastings', written over the text 'Approved by the Board of Directors and signed on behalf of the Board'.

**J P HASTINGS**

Secretary

# **STRADA DEVELOPMENTS LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that . 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;
- state whether applicable accounting standards have been followed; 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.

# STRADA DEVELOPMENTS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRADA DEVELOPMENTS LIMITED

We have audited the financial statements of Strada Developments Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 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 United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

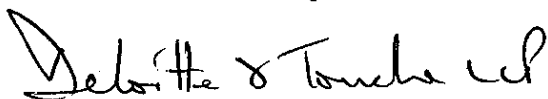
### Basis of audit opinion

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 December 2004 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants  
and Registered Auditors

Birmingham

23/5/05

# STRADA DEVELOPMENTS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 DECEMBER 2004

	Note	2004 £	2003 £
<b>TURNOVER</b>		15,450,192	-
Cost of Sales		(10,818,299)	-
<b>GROSS PROFIT</b>		<u>4,631,893</u>	<u>-</u>
Administrative expenses		(25,901)	(321,237)
<b>OPERATING PROFIT/(LOSS)</b>	2	4,605,992	(321,237)
Net interest payable	3	(934,094)	(217,764)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,671,898	(539,001)
Tax (charge)/credit on profit/(loss) on ordinary activities	5	(1,090,545)	143,565
<b>RETAINED PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR</b>	12	<u><u>2,581,353</u></u>	<u><u>(395,436)</u></u>

There are no recognised gains or losses other than those shown above and consequently, no statement of total recognised gains and losses is presented.

All results derive from continuing operations.

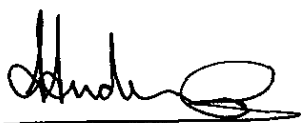
# STRADA DEVELOPMENTS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	2004 £	2003 £
<b>CURRENT ASSETS</b>			
Stocks	6	27,105,651	24,292,458
Debtors	7	67,261	239,073
Cash at bank and in hand		659,219	171,753
		<u>27,832,131</u>	<u>24,703,284</u>
<b>CREDITORS: amounts falling due within one year</b>	8	(1,990,492)	(4,786,516)
<b>NET CURRENT ASSETS</b>		<u>25,841,639</u>	<u>19,916,768</u>
<b>CREDITORS: amounts falling due after more than one year</b>	9	(23,654,722)	(20,311,204)
<b>NET ASSETS/(LIABILITIES)</b>		<u>2,186,917</u>	<u>(394,436)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1,000	1,000
Profit and loss account	12	2,185,917	(395,436)
<b>EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)</b>	12	<u>2,186,917</u>	<u>(394,436)</u>

These financial statements were approved by the Board of Directors on 29<sup>th</sup> April 2005.

Signed on behalf of the Board of Directors



Alexander Anderson

Director

The notes on pages 7-13 form part of these financial statements.



# **STRADA DEVELOPMENTS LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2004**

### **1. ACCOUNTING POLICIES**

The principal accounting policies of the company are as follows:

#### **Basis of accounting**

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

#### **Turnover**

Turnover comprises sales of properties where construction has been completed and the property has been legally transferred to the purchaser.

#### **Profit**

Profit is taken on legal completion of sale of each property.

#### **Stocks**

Stocks are stated at the lower of cost and estimated net realisable value. Cost of stocks comprises land acquisition, construction and other development expenditure.

#### **Deferred taxation**

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# STRADA DEVELOPMENTS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2004

### 2. OPERATING PROFIT / (LOSS)

Operating profit / (loss) is after charging:	2004 £	2003 £
Auditors' remuneration – audit of company	2,100	2,100
Tax services – compliance services	3,000	3,000
	<u>          </u>	<u>          </u>

### 3. NET INTEREST (PAYABLE)/RECEIVABLE

	2004 £	2003 £
Interest payable and similar charges:		
Interest of financing loans	(1,013,764)	(226,204)
Interest receivable:		
Bank interest receivable	79,670	8,440
Net interest payable	<u>(934,094)</u>	<u>(217,764)</u>

£506,882 interest payable is due to Taylor Woodrow Developments and £506,882 is due to Bank of Scotland.  
Both amounts are included within creditors at the year-end in note 9.

### 4. EMPLOYEES' AND DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company during the year.

In the current year, the company had no employees.

# STRADA DEVELOPMENTS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2004

### 5. TAXATION

#### a) Analysis of (charge)/credit in the year

	2004 £	2003 £
<b>Current tax</b>		
United Kingdom corporation tax at 30%	(946,980)	-
Current tax charge for the year	(946,980)	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(143,565)	143,565
Tax (charge)/credit on profit/(loss) in the year	<u>(1,090,545)</u>	<u>143,565</u>

#### b) Factors affecting the current tax charge for the year

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	3,671,898	(539,001)
Tax (charge)/credit at 30% thereon	(1,101,569)	161,700
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(150)	(18,135)
Tax losses carried forward	-	(143,565)
Tax losses from prior periods	154,739	-
<b>Current tax charge for year (5a)</b>	<u>(946,980)</u>	<u>-</u>

### 6. STOCKS

	2004 £	2003 £
<b>Development land and work in progress</b>		
Land	15,202,610	16,500,000
Construction and other costs	11,903,041	7,792,458
	<u>27,105,651</u>	<u>24,292,458</u>

# STRADA DEVELOPMENTS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2004

### 7. DEBTORS

	2004 £	2003 £
VAT	56,434	90,330
Other debtors	10,827	5,178
Deferred tax asset (note 10)	-	143,565
	<u>67,261</u>	<u>239,073</u>

Other debtors include £7,300 (2003: £Nil) owed from Taylor Woodrow Developments Limited and £2,480 (2003: £Nil) owed from Bett Homes Limited.

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Trade creditors	14,090	317
Corporation tax	346,980	-
Other creditors	111,060	297,102
Accruals and deferred income	1,518,362	4,489,097
	<u>1,990,492</u>	<u>4,786,516</u>

Included within the 'Accruals and deferred income' balance is an amount of £389,805 (2003: £164,910) that relates to Taylor Woodrow Construction Limited sub-contractor retention of the main build contract.

### 9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £	2003 £
Debt falling due in more than two years but not more than five years		
- Bank of Scotland	7,256,920	7,143,203
- Taylor Woodrow Developments Limited	7,256,920	7,143,203
	<u>14,513,840</u>	<u>14,286,406</u>
Debt falling due in more than five years		
- Bett Homes Limited	4,570,441	3,012,399
- Taylor Woodrow Developments Limited	4,570,441	3,012,399
	<u>9,140,882</u>	<u>6,024,798</u>

The above creditors represent amounts owed in respect of bank loans and shareholder loans.

The balances due more than two years but not more than five years are interest bearing loans. The balances due in more than five years are non interest bearing equity funding loans.

Interest on the interest bearing loans is treated as a finance cost and is charged to the profit and loss account. Interest is charged at 1.1% above base rate.

The Bank of Scotland and Taylor Woodrow Developments interest bearing loans have floating charges dated 12 August 2003 over all property and assets present and future of the company, plus charges dated 29 August 2003 over the former East Pilton works in Edinburgh. The Bett Homes loan is unsecured.

# STRADA DEVELOPMENTS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2004

### 10. DEFERRED TAX

	2004 £	2003 £
<b>Movement on deferred taxation balance in the year</b>		
Opening balance (Dr)/Cr	(143,565)	-
Credit to profit and loss account (note 5a)	143,565	(143,565)
	<u>-</u>	<u>(143,565)</u>
Closing balance (Dr)/Cr	-	(143,565)
	<u>-</u>	<u>(143,565)</u>
<b>Analysis of deferred tax balance</b>		
Losses	-	(143,565)
	<u>-</u>	<u>(143,565)</u>
Deferred tax asset (note 7)	-	(143,565)
	<u>-</u>	<u>(143,565)</u>

There are no unprovided deferred tax balances.

### 11. CALLED UP SHARE CAPITAL

	2004 £	2003 £
<b>Authorised</b>		
500 ordinary 'A' shares of £1 each	500	500
500 ordinary 'B' shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
<b>Called up, issued and fully paid</b>		
500 ordinary 'A' shares of £1 each	500	500
500 ordinary 'B' shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>

During the year, there were no movements in the Issued Share Capital. The ordinary 'A' shares of the company are owned by Bett Homes Limited and the ordinary 'B' shares of the company are owned by Taylor Woodrow Developments Limited.

Both of the above classes of share confer the right to appoint three directors, equal rights with respect to dividends and rank equally in the event of winding-up.

# STRADA DEVELOPMENTS LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2004

### 12. COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT) AND STATEMENT OF MOVEMENT ON RESERVES

	Issued share capital £	Profit and loss account £	Total £
At 31 December 2003	1,000	(395,436)	(394,436)
Profit for the year	-	2,581,353	2,581,353
	<hr/>	<hr/>	<hr/>
At 31 December 2004	1,000	2,185,917	2,186,917
	<hr/>	<hr/>	<hr/>

### 13. CASH FLOW STATEMENT

The company has taken advantage of the exemption contained in paragraph 5(f) of FRS1 (Revised), 'Cash Flow Statements' and has not produced a cash flow statement as it meets the criteria of a small company per the Companies Act 1985.

### 14. ULTIMATE CONTROLLING PARTY

The company is a joint venture between Taylor Woodrow Developments Limited and Bett Homes Limited. Both companies are incorporated in Great Britain.

### 15. RELATED PARTIES

During the year, the company incurred expenditure for professional fees by its shareholders and their fellow group companies as follows:

	2004 £	2003 £
Taylor Woodrow Developments Limited:		
Management fees	71,000	9,000
Arrangement fees	-	62,500
Matching fees	6,641	56,937
	<hr/>	<hr/>
	77,641	128,437
	<hr/>	<hr/>

Under the terms of the joint venture agreement, Taylor Woodrow Developments Limited match specific fees incurred by Bank of Scotland.

During the year, payments were made to Taylor Woodrow Construction Limited for certificated works on the project. These amounted to £11,970,105 and have been included in the stock balance (note 6). A proportion of these costs has been taken to cost of sales during the year. There is an accrual to Taylor Woodrow Construction Limited at the year-end amounting to £1,505,253, the value of which is included within the stock balance (note 6).

The creditors in note 9 and the interest payable in note 3 are both due to related parties as are the balances described in note 8.

# **STRADA DEVELOPMENTS LIMITED**

## **NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2004**

### **15. RELATED PARTIES (CONTINUED)**

Included in other debtors is £7,300 owed from Taylor Woodrow Developments Limited and £2,480 owed from Bett Homes Limited.

During the year the wife of Alexander Anderson, a director of both Bett Homes Limited and Strada Developments Limited, financially completed on two properties at the site. The values of the properties were £165,000 and £225,000 respectively, which represents the market value of the properties. In addition to this, Mrs Anderson purchased options on these plots to the value of £2,160 and £1,691 respectively. These amounts have been fully paid at the year-end.