

# BEST Braehead Development Company Limited

Annual report and financial statements for the year ended

31 December 2007

(Company number: SC298070)



# BEST Braehead Development Company Limited

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# **BEST Braehead Development Company Limited**

## **Directors and advisors**

### **Directors**

C Church  
K R Douglas  
M Feeney  
D Gaffney  
J J O'Neill

### **Registered office**

2 Blythswood Square  
Glasgow  
G2 4AD

### **Company secretary**

Brodies Secretarial Services Limited  
15 Atholl Crescent  
Edinburgh  
Midlothian  
EH3 8HA

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London  
WC2N 6RH

### **Bankers**

Royal Bank of Scotland  
5<sup>th</sup> Floor  
Kirkstane House  
139 St Vincent Street  
Glasgow  
G2 5JF

# **BEST Braehead Development Company Limited**

## **Directors' report for the year ended 31 December 2007**

The directors present their annual report together with the audited financial statements of the company for the year ended 31 December 2007.

### **Principal activities**

The principal activity of the company is the development of private housing on the site at Kings Inch Road, Braehead. During the period, planning, design and other preparatory work have been undertaken in relation to the development proposals, as well as the disposal of part of the site.

The directors intend to continue development of the Kings Inch Road site and are optimistic about future trading prospects.

### **Review of the business and future developments**

The profit and loss account is set out on page 6 and shows turnover for the year of £2,919,000 (2006: £19,731,000) and a loss before tax of £1,016,000 (2006: profit of £2,293,000).

The directors do not recommend payment of an ordinary dividend in respect of the year ended 31 December 2007 (2006: £Nil). Accordingly, the loss for the financial year of £1,016,000 (2006: profit of £1,605,000) will be transferred to reserves.

Despite the current economic climate we have prepared the financial statements on a going concern basis. The justification for this is disclosed in the statement of accounting policies under the basis of preparation note.

### **Financial risk management**

The main financial risk arising from the company's activities is interest rate risk. This is monitored by the Board of Directors and is not considered to be significant at the balance sheet date.

The working capital requirements are met principally from the Revolving Development Facility the company has with its bankers. In addition, trade debtors and trade creditors arise directly from the company's operations. The company has not entered into any hedging arrangements.

### **Principal risks and uncertainties**

The company is currently in breach of the terms of the RBS operating facility described above, and is engaged in ongoing discussions to resolve this. The Directors have a reasonable expectation, that these discussions will result in a positive outcome, allowing the company to continue to trade for the foreseeable future. For this reason we continue to adopt the going concern basis in preparing the accounts.

### **Key performance indicators (KPI's)**

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

### **Directors**

The directors who, unless otherwise stated, served throughout the year and up to the date of signing the financial statements were as follows:

P Brogan (Resigned 16 March 2009)

C Church (Appointed 2 March 2007)

K R Douglas

M Feeney

D Gaffney

J M Kirkpatrick (Resigned 2 March 2007)

J J O'Neill

A M McBride (Appointed 1 August 2008, Resigned 3 March 2009)

## **BEST Braehead Development Company Limited**

### **Directors' report for the year ended 31 December 2007 (continued)**

#### **Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 of the company for that period.

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 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 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.

#### **Statement of disclosure of information to auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

#### **Independent auditors**

BDO Stoy Hayward LLP resigned as independent auditors during the year and PricewaterhouseCoopers LLP were appointed by the directors to fill the casual vacancy arising.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them as independent auditors will be proposed at the annual general meeting.

#### **On behalf of the Board**



K R Douglas  
Director  
30th July 2009

# **BEST Braehead Development Company Limited**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BEST BRAEHEAD DEVELOPMENT COMPANY LIMITED**

We have audited the financial statements of BEST Braehead Development Company Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and cash flow statement and the related notes. 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 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss and cash flows 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.

## BEST Braehead Development Company Limited

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BEST BRAEHEAD DEVELOPMENT COMPANY LIMITED (continued)

#### **Emphasis of matter – going concern**

In arriving at our audit opinion, which is not qualified, we have considered the adequacy of the disclosures made by the Directors in the basis of preparation note concerning the Company's ability to continue as a going concern. The note discloses non-compliance with covenants attached to the Company's banking facilities, and uncertainty over the continuation of these facilities. This indicates the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue to trade. The financial statements do not include any adjustments that would result from a withdrawal of the bank facilities by the Company's bankers or those facilities proving insufficient.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
13 August 2009

Profit and loss account for the year ended 31 December 2007

		Year ended 31 December 2007 £'000	10 months ended 31 December 2006 £'000
	Note		
Turnover	2	2,919	19,731
Cost of sales		(2,173)	(17,305)
<b>Gross profit</b>		<b>746</b>	<b>2,426</b>
Administrative expenses		(233)	(125)
<b>Operating profit</b>	4	<b>513</b>	<b>2,301</b>
Interest receivable and similar income	5	553	-
Interest payable and similar charges	6	(2,082)	(8)
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(1,016)</b>	<b>2,293</b>
Taxation on (loss) / profit on ordinary activities	7	-	(688)
<b>(Loss) / profit for the financial period</b>	13	<b>(1,016)</b>	<b>1,605</b>

All amounts relate to continuing activities.

There were no recognised gains or losses in either financial period other than the results as shown above.

There is no difference between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the financial period stated above and their historical cost equivalents.



**BEST Braehead Development Company Limited****Balance sheet as at 31 December 2007**

	<b>Note</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
<b>Current assets</b>			
Stocks	8	32,905	28,671
Debtors	9	5,046	16,302
		37,951	44,973
<b>Creditors: amounts falling due within one year</b>	10	(19,693)	(16,598)
<b>Net current assets</b>		18,258	28,375
<b>Creditors: amounts falling due after one year</b>	11	(17,668)	(26,768)
<b>Net assets</b>		590	1,606
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Profit and loss account	13	589	1,605
<b>Total shareholders' funds</b>	14	590	1,606

The financial statements on pages 6 to 16 were approved by the Board and authorised for issue on 30th July 2009.

  
K R Douglas  
Director

  
M Feeney  
Director

**BEST Braehead Development Company Limited**

**Cash flow statement for the year ended 31 December 2007**

	Note	Year ended 31 December 2007 £'000	10 months ended 31 December 2006 £'000
<b>Net cash inflow / (outflow) from operating activities</b>	16	8,796	(37,349)
<b>Returns on investments and servicing of finance</b>			
Interest received		553	-
Interest paid		(2,082)	(8)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,529)	(8)
<b>Taxation</b>		(688)	-
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>		6,579	(37,357)
<b>Financing</b>			
Repayment of bank loan		(6,579)	-
Proceeds of bank loan		-	35,356
Shareholder loans		-	2,000
Issue of share capital		-	1
<b>Net cash (outflow)/inflow from financing</b>		(6,579)	37,357
<b>Increase in cash</b>	17	-	-

## **1 Accounting policies**

### **Basis of accounting**

The financial statements are prepared on a going concern basis which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future. The directors believe that this is appropriate as they have prepared cash flow forecasts which indicate that the Company will continue as a going concern. The Company has funding from shareholder loans which have no fixed term of repayment, and currently operates with bank loan facilities, which expire in 2012, to fund general working capital requirements.

However, the Company does not currently comply with all its banking covenants and given the current volatility in real estate markets it cannot be certain whether or not it will comply in the foreseeable future. The Company is actively engaged in discussions with its lenders to extend and possibly replace these facilities and obtain a formal waiver of covenant breaches. Whilst the directors are confident on the basis of these discussions that adequate facilities will either be renewed or replaced in 2009, and that breaches of banking covenants will be waived, they acknowledge that in the current economic environment and difficulties in the real estate sector, the lack of formal confirmation of renewal of replacement of facilities and waiver of covenant breaches constitutes the existence of a material uncertainty which may cast doubt over the Company's ability to continue as a going concern. The financial statements do not include the adjustments which would result if the Company were unable to continue as a going concern.

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

### **Turnover**

Turnover comprises sale of land, recognised on legal completion, and sale of properties where construction has been completed and property has been legally transferred to the purchaser.

### **Stocks and works in progress**

Stocks and works in progress are stated at the lower of cost and net realisable value. Cost comprises cost of acquisitions and development including directly attributable fees and expenses, but not interest. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

## **2 Turnover**

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

**BEST Braehead Development Company Limited**  
**Notes to the financial statements for the year ended 31 December 2007**  
**(continued)**

### **3 Employees**

There were no staff costs during the period and none of the directors received any emoluments in respect of their services to the company.

	Year ended 31 December 2007	10 month period ended 31 December 2006
The average number of employees (including directors) during the period, employed in the United Kingdom	6	5

### **4 Operating profit**

Audit fees are incurred by a related undertaking, Gladedale (Central Scotland) Ltd, and reimbursed under the terms of the Management Services Agreement.

### **5 Interest receivable and similar income**

	Year ended 31 December 2007 £'000	10 months ended 31 December 2006 £'000
Discount unwind relating to deferred payment terms on initial land purchase	535	-
Bank interest received	18	-
	<b>553</b>	<b>-</b>

### **6 Interest payable and similar charges**

	Year ended 31 December 2007 £'000	10 months ended 31 December 2006 £'000
Bank interest payable	2,082	8

**BEST Braehead Development Company Limited**  
**Notes to the financial statements for the year ended 31 December 2007**  
**(continued)**

**7 Taxation on (loss)/profit on ordinary activities**

	<b>Year ended 31 December 2007 £'000</b>	<b>10 months ended 31 December 2006 £'000</b>
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**Current tax**

UK corporation tax on profits / losses in the period	-	688
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The tax assessed for the period is lower than (2006: equal to) the standard rate of UK corporation tax (30%). The differences are explained below:

(Loss)/profit on ordinary activities before taxation	<b>(1,016)</b>	2,293
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	<b>(305)</b>	688
Effect of losses not recognised	<b>305</b>	-
Total current tax	-	688

The company has an unrecognised deferred tax asset of £284,000 (2006: £nil) relating to trading losses. The asset has not been recognised due to uncertainty over the timing of future profits against which it may be offset.

**8 Stocks**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Development land and work in progress	<b>32,905</b>	28,671

**9 Debtors**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Trade debtors	<b>4,882</b>	12,406
Other debtors	<b>164</b>	3,896
	<b>5,046</b>	16,302

**BEST Braehead Development Company Limited**  
**Notes to the financial statements for the year ended 31 December 2007**  
**(continued)**

**10 Creditors: amounts falling due within one year**

	<b>2007 £'000</b>	<b>2006 £'000</b>
Bank loans (note 11)	<b>13,109</b>	10,588
Trade creditors	<b>200</b>	-
Amounts due to Joint Venture partners	<b>1,685</b>	1,685
Current corporation tax	-	688
Accruals and deferred income	<b>4,699</b>	3,637
	<b>19,693</b>	16,598

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

	<b>2007 £'000</b>	<b>2006 £'000</b>
Bank loans – repayable between 2-5 years	<b>15,668</b>	24,768
Shareholder loans	<b>2,000</b>	2,000
	<b>17,668</b>	26,768

The bank loan is secured by floating charges over the present and future property and assets of the company. The bank loan is a Revolving Development Facility to assist with the site acquisition and development of property on 52 acres at Braehead, Renfrew. Interest is charged at 1.25% over the fluctuating Royal Bank of Scotland base rate.

All income from the future sale of residential units and land sales will be used to repay the facility. The facility must be clear by September 2012.

The shareholder loans are non – interest bearing and have no fixed repayment date.

BEST Braehead Development Company Limited  
Notes to the financial statements for the year ended 31 December 2007  
(continued)

**12 Called up share capital**

	2007 £	2006 £
<b>Authorised, allotted and fully paid:</b>		
500 ordinary 'A' shares of £1 each	500	500
500 ordinary 'B' shares of £1 each	500	500
	<b>1,000</b>	<b>1,000</b>

The 'A' ordinary shares of the company are owned by Gladedale (Northern Division) Limited. The 'B' ordinary shares of the company are owned by Strathclyde Homes Limited. Both classes of share rank pari passu.

**13 Profit and loss account**

	2007 £000	2006 £000
Balance at 1 January	1,605	-
(Loss) / profit for the financial year	(1,016)	1,605
<b>Balance at 31 December</b>	<b>589</b>	<b>1,605</b>

**14 Reconciliation of movements in shareholders' funds**

	Year ended 31 December 2007 £'000	10 months ended 31 December 2006 £'000
Opening shareholders' funds	1,606	-
(Loss) / profit for the financial year	(1,016)	1,605
Issue of share capital	-	1
<b>Closing shareholders' funds</b>	<b>590</b>	<b>1,606</b>

## 15 Related party disclosure

During the period the company entered into the following transactions with its two shareholders:

- a) Payment of £100,000 (2006: £4,447,490) was made to Gladedale (Northern Division) Limited in consideration of management fees and land payments.
- b) At 31 December 2007, the company owed Strathclyde Homes Limited £745,414 and £940,049 to Gladedale (Central Scotland) Limited, a wholly owned subsidiary of Gladedale (Northern Division) Ltd. These amounts are in relation to deferred payment on land purchases and both amounts are outstanding at the period end and are included within trade creditors.

## 16 Reconciliation of operating profit to net cash inflow / (outflow) from operating activities

	Year ended 31 December 2007 £'000	10 months ended 31 December 2006 £'000
Operating profit	513	2,301
Increase in stocks	(4,234)	(28,671)
Decrease/(Increase) in debtors	11,255	(16,302)
Increase in creditors	1,262	5,323
<b>Cash inflow/(outflow) from operating activities</b>	<b>8,796</b>	<b>(37,349)</b>

## 17 Reconciliation of net cash outflow to movement in net debt

	Year ended 31 December 2007 £'000	10 months ended 31 December 2006 £'000
Increase in cash in the period	-	-
Cash inflow from increase in debt	6,579	(37,356)
<b>Movement in net debt</b>	<b>6,579</b>	<b>(37,356)</b>



**BEST Braehead Development Company Limited**  
**Notes to the financial statements for the year ended 31 December 2007**  
**(continued)**

**18 Analysis of net debt**

	<b>2006</b> <b>£'000</b>	<b>Cash flows</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Debt due after one year	(26,768)	9,100	<b>(17,668)</b>
Debt due within one year	(10,588)	(2,521)	<b>(13,109)</b>
<b>Net debt</b>	<b>(37,356)</b>	<b>6,579</b>	<b>(30,777)</b>

**19 Ultimate controlling parties**

The company is jointly owned by Gladedale (Northern Division) Limited and Strathclyde Homes Limited. Both companies are registered in Scotland.