

COMPANY REGISTRATION NUMBER SC300621

**TERRACE HILL LETTINGS
FINANCIAL STATEMENTS
31 OCTOBER 2006**

TUESDAY



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TERRACE HILL LETTINGS

FINANCIAL STATEMENTS

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

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TERRACE HILL LETTINGS
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M A Kelly
A B Wilson
V Basham
R F M Adair
R M Turner

Company secretary

Park Circus (Secretaries) Limited

Registered office

James Sellars House
144 West George Street
Glasgow
G2 2HG

Auditors`

BDO Stoy Hayward LLP
Chartered Accountants
& Registered Auditors
Ballantine House
168 West George Street
Glasgow
G2 2PT

TERRACE HILL LETTINGS

THE DIRECTORS' REPORT

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the period from 11 April 2006 to 31 October 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was that of property investment

The Company was incorporated on 11 April 2006

RESULTS AND DIVIDENDS

The profit for the period amounted to £241,345 The Company paid a dividend in specie of £228,024,365 during the year

DIRECTORS

The directors who served the company during the period were as follows

D R Macdonald	(resigned 15 June 2007)
M A Kelly	
V Basham	
R F M Adair	
J P McDowall	(resigned 25 October 2006)
R M Turner	

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

The directors of the company as at 31 October 2006 were also directors of Terrace Hill Residential plc, the company's ultimate holding company, and their interests in the ordinary shares of £1 each of Terrace Hill Residential plc as at that date are listed in the report of the directors of Terrace Hill Residential plc for the period ended 31 October 2006

Following the year end, A B Wilson was appointed as a director on 15 June 2007

TERRACE HILL LETTINGS

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. 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 these 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,
- 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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.


AUDITORS

BDO Stoy Hayward LLP were appointed as auditors during the year.

A resolution to re-appoint BDO Stoy Hayward LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office,
James Sellars House
144 West George Street
Glasgow
G2 2HG

Signed by order of the directors

 DIRECTOR
FOR AND ON BEHALF OF

PARK CIRCUS (SECRETARIES) LIMITED
Company Secretary

Approved by the directors on 25 June 2007

TERRACE HILL LETTINGS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERRACE HILL LETTINGS

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

We have audited the financial statements of Terrace Hill Lettings for the period from 11 Apr 06 to 31 October 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared on the basis of 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those 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.

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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 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.

TERRACE HILL LETTINGS


INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERRACE HILL LETTINGS *(continued)*

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

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 October 2006 and of its profit for the period 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


BDO Stoy Hayward LLP
Chartered Accountants & Registered Auditors
Ballantine House
168 West George Street
Glasgow
G2 2PT

25 June 2007

TERRACE HILL LETTINGS

PROFIT AND LOSS ACCOUNT

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

		Period from 11 Apr 06 to 31 Oct 06
	Note	£
TURNOVER	2	346,626
Cost of sales		<u>146,443</u>
GROSS PROFIT		200,183
Administrative expenses		<u>13,894</u>
OPERATING PROFIT		186,289
Interest receivable	5	<u>55,056</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		241,345
Tax on profit on ordinary activities	6	<u>—</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>241,345</u>

All of the activities of the company are classed as continuing

The notes on pages 9 to 13 form part of these financial statements.

TERRACE HILL LETTINGS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

	Period from 11 Apr 06 to 31 Oct 06 £
Profit for the financial period attributable to the shareholders	241,345
Unrealised profit on revaluation of certain fixed assets	<u>2,877,985</u>
Total gains and losses recognised for the period	<u>3,119,330</u>

The notes on pages 9 to 13 form part of these financial statements.

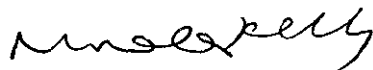
TERRACE HILL LETTINGS

BALANCE SHEET

31 OCTOBER 2006

	Note	£	31 Oct 06 £
FIXED ASSETS			
Tangible assets	7		39,925,094
CURRENT ASSETS			
Debtors	8	895,370	
Cash at bank		873,970	
		<u>1,769,340</u>	
CREDITORS: Amounts falling due within one year	9	<u>1,466,637</u>	
NET CURRENT ASSETS			<u>302,703</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>40,227,797</u>
CREDITORS: Amounts falling due after more than one year	10		<u>19,132,832</u>
			<u>21,094,965</u>
CAPITAL AND RESERVES			
Called up equity share capital	12		10,000
Share premium account	13		17,965,635
Revaluation reserve	13		2,877,985
Profit and loss account	13		241,345
SHAREHOLDERS' FUNDS	13		<u>21,094,965</u>

These financial statements were approved by the directors and authorised for issue on the 25 June 2007 and are signed on their behalf by



M A Kelly

Director

The notes on pages 9 to 13 form part of these financial statements.

TERRACE HILL LETTINGS

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

Rental income is recognised in the period to which it relates

Investment properties

Investment properties are accounted for in accordance with SSAP 19, as follows

(1) investment properties are revalued annually The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year, and

(11) no depreciation is provided in respect of leasehold properties where the lease has over 20 years to run

Although the Companies Act would normally require systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value for investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified

Deferred Taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

Deferred tax is not recognised on timing differences arising on re valued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and

the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of underlying timing differences

Deferred tax balances are not discounted

TERRACE HILL LETTINGS

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	Period from 11 Apr 06 to 31 Oct 06 £
Rental income and management fee	<u>346,626</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Period from 11 Apr 06 to 31 Oct 06 £
Profit on ordinary activities before taxation is stated after charging Auditors remuneration – audit fees	<u>4,000</u>

4. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial period, including the directors, amounted to 5

No salaries or wages have been paid to employees, including the directors, during the period

5. INTEREST RECEIVABLE

	Period from 11 Apr 06 to 31 Oct 06 £
Bank interest receivable	<u>55,056</u>

6. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%

	Period from 11 Apr 06 to 31 Oct 06 £
Profit on ordinary activities before taxation	<u>241,345</u>
Profit/(loss) on ordinary activities by rate of tax	72,404
Group relief	<u>(72,404)</u>
Total current tax	<u> </u>

TERRACE HILL LETTINGS

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

7. TANGIBLE FIXED ASSETS

	Freehold Properties	Leasehold Properties	Investment Property Total
	£	£	£
COST OR VALUATION			
Additions	11,044,744	26,002,365	37,047,1
Revaluation	637,585	2,240,400	2,877,9
At 31 October 2006	<u>11,682,329</u>	<u>28,242,765</u>	<u>39,925,0</u>
DEPRECIATION			
At 11 April 2006 and 31 October 2006			—
NET BOOK VALUE			
At 31 October 2006			<u>39,925,094</u>

The historical cost of investment properties was £37,047,109

Investment properties owned by the company, situated in Scotland, have been valued as at 31 October 2006 by CRGP Robertson of Herbert House, 24 Herbert Street, Glasgow, G20 6NB and, situated in England, by Savills of 132/134 Hills Road, Cambridge, CB2 2PA on the basis of open market value with vacant possession

No provision has been made for the liability to tax from capital gains amounting to £735,603 which would arise if investment properties were to be sold at their book values.

8. DEBTORS

	31 Oct 06 £
Trade debtors	244,081
Other debtors	1
Prepayments and accrued income	651,288
	<u>895,370</u>

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

9. CREDITORS: Amounts falling due within one year

	31 Oct 06 £
Trade creditors	172,273
Other creditors	1,102,033
	<u>1,274,306</u>
Accruals and deferred income	192,331
	<u>1,466,637</u>

TERRACE HILL LETTINGS

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

10. CREDITORS: Amounts falling due after more than one year

	31 Oct 06 £
Amounts owed to group undertakings	<u>19,132,832</u>

11. RELATED PARTY TRANSACTIONS

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

12. SHARE CAPITAL

Authorised share capital:

	31 Oct 06 £
10,000 Ordinary shares of £1 each	<u>10,000</u>

Allotted, called up and fully paid:

	No	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

On 25 July 2006 the Company issued 10,000 ordinary shares of £1 each at £24,600 per share for cash

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total shareholders' funds £
Profit for the period	—	—	—	241,345	241,345
Revaluation of fixed assets	—	—	2,877,985	—	2,877,985
Other movements					
New equity share capital subscribed	10,000	245,990,000	—	—	246,000,000
Dividend in specie		(228,024,365)			(228,024,365)
Balance carried forward	<u>10,000</u>	<u>17,965,635</u>	<u>2,877,985</u>	<u>241,345</u>	<u>21,094,965</u>

TERRACE HILL LETTINGS

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 11 APRIL 2006 TO 31 OCTOBER 2006

14. ULTIMATE PARENT COMPANY

The directors consider that Terrace Hill Residential plc (registered in Scotland) is the company's ultimate holding 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 Residential plc, James Sellars House, 144 West George Street, Glasgow G2 2HG.

15. CAPITAL COMMITMENTS

Subject to satisfactory title being obtained, the company has entered into an agreement to purchase investment properties at a cost of £8,383,975.