

COMPANY REGISTRATION NUMBER SC300621

**TERRACE HILL LETTINGS
FINANCIAL STATEMENTS
31 OCTOBER 2008**



TERRACE HILL LETTINGS
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

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TERRACE HILL LETTINGS
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M A Kelly
V Basham
R F M Adair
T G Walsh
A B Wilson

Company secretary

Park Circus (Secretaries) Limited

Registered office

James Sellars House
144 West George Street
Glasgow
G2 2HG

Auditor

BDO Stoy Hayward LLP
Chartered Accountants
& Registered Auditors
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

TERRACE HILL LETTINGS
THE DIRECTORS' REPORT
YEAR ENDED 31 OCTOBER 2008

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 October 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of property investment.

RESULTS AND DIVIDENDS

The profit for the year amounted to £1,252,962. The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

M A Kelly
V Basham
R F M Adair
R M McGregor
T G Walsh
A B Wilson

R M McGregor retired as a director on 25 April 2008.

T G Walsh was appointed as a director on 25 April 2008

TERRACE HILL LETTINGS
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 OCTOBER 2008

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 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 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 auditor is 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 auditor is aware of that information.

AUDITOR

A resolution to re-appoint BDO Stoy Hayward LLP as auditor 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



PARK CIRCUS (SECRETARIES) LIMITED
Company Secretary

Approved by the directors on 06/07/09

TERRACE HILL LETTINGS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TERRACE HILL LETTINGS

YEAR ENDED 31 OCTOBER 2008

We have audited the financial statements of Terrace Hill Lettings for the year ended 31 October 2008 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 under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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.

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.

TERRACE HILL LETTINGS

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

YEAR ENDED 31 OCTOBER 2008

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 2008 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.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants & Registered Auditors
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

6/7/09

TERRACE HILL LETTINGS
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2008

	Note	2008 £	Restated 2007 £
TURNOVER	2	2,191,239	1,943,710
Cost of sales		<u>903,047</u>	<u>929,276</u>
GROSS PROFIT		1,288,192	1,014,434
Administrative expenses		<u>67,799</u>	<u>57,518</u>
OPERATING PROFIT		1,220,393	956,916
(Loss)/profit on disposal of fixed assets	4	<u>(1,256)</u>	<u>239,021</u>
		1,219,137	1,195,937
Interest receivable	5	<u>33,825</u>	<u>88,200</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,252,962	1,284,137
Tax on profit on ordinary activities	6	<u>—</u>	<u>—</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,252,962</u>	<u>1,284,137</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
YEAR ENDED 31 OCTOBER 2008

	Year to 2008 £	Restated Year to 2007 £
Loss for the financial year attributable to the shareholders As previously stated	1,252,962	1,300,209
Prior year adjustment	-	(16,072)
As restated	<u>1,252,962</u>	<u>1,284,137</u>
Unrealised (loss)/profit on revaluation of certain fixed assets	(4,093,039)	(790,287)
Total gains and losses recognised for the financial year	<u>(2,840,077)</u>	<u>493,850</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2008 £	2007 £
Reported loss on ordinary activities before taxation As previously stated	1,252,962	1,300,209
Prior year adjustment	-	(16,072)
As restated	<u>1,252,962</u>	<u>1,284,137</u>
Realisation of gains recognised in previous periods	-	30,775
Historical cost loss on ordinary activities before taxation	<u>1,252,962</u>	<u>1,314,912</u>
Historical cost loss for the year after taxation	<u>1,252,962</u>	<u>1,314,912</u>

TERRACE HILL LETTINGS

BALANCE SHEET

31 OCTOBER 2008

	Note	2008 £	Restated 2007 £
FIXED ASSETS			
Tangible assets	7	<u>42,891,704</u>	<u>46,984,743</u>
CURRENT ASSETS			
Debtors	8	41,591	39,929
Cash at bank		<u>651,164</u>	<u>117,269</u>
		692,755	157,198
CREDITORS: Amounts falling due within one year	9	<u>266,665</u>	<u>344,953</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>426,090</u>	<u>(187,755)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>43,317,794</u>	<u>46,796,988</u>
CREDITORS: Amounts falling due after more than one year	10	<u>24,569,056</u>	<u>25,208,173</u>
		<u>18,748,738</u>	<u>21,588,815</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	10,000	10,000
Share premium account	13	17,965,635	17,965,635
Revaluation reserve	13	(2,036,116)	2,056,923
Profit and loss account	13	<u>2,809,219</u>	<u>1,556,257</u>
SHAREHOLDERS' FUNDS	13	<u>18,748,738</u>	<u>21,588,815</u>

These financial statements were approved and authorised for issue by the directors on the 06/07/09 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
YEAR ENDED 31 OCTOBER 2008

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 small.

Turnover

Rental income is recognised in the period to which it relates.

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.

Investment properties

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

(i) 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

(ii) 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.

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

1. ACCOUNTING POLICIES *(continued)*

Prior year adjustment

Adjustments have been made in respect of rents in arrears and advance to more accurately reflect the turnover recognition policy of the group and company.

The effect of the adjustment on the prior year comparatives is that the retained profit of the company has been decreased by £16,072. The net assets of the company have increased by £16,072.

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:

	2008 £	2007 £
United Kingdom	<u>2,191,239</u>	<u>1,943,710</u>

3. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial year, including the directors, amounted to 5 (2007 - 5).

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

4. LOSS/PROFIT ON DISPOSAL OF FIXED ASSETS

	2008 £	2007 £
(Loss)/profit on disposal of fixed assets	<u>(1,256)</u>	<u>239,021</u>

5. INTEREST RECEIVABLE

	2008 £	2007 £
Bank interest receivable	30,245	88,200
Other interest receivable	3,580	—
	<u>33,825</u>	<u>88,200</u>

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

6. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.83% (2007 - 30%).

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>1,252,962</u>	<u>1,300,209</u>
Profit/(loss) on ordinary activities by rate of tax	361,229	390,063
Losses carried forward	24,337	-
Interest received under UK to UK transfer pricing rules	(385,566)	-
Group relief	-	(389,948)
Capital gain/(loss)	-	71,591
(Gain)/loss on sale of assets	-	(71,706)
Total current tax	<u>-</u>	<u>-</u>

7. TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold Property £	Total £
COST OR VALUATION			
At 1 November 2007	20,936,914	26,047,829	46,984,743
Revaluation	498,611	(4,591,650)	(4,093,039)
At 31 October 2008	<u>21,435,525</u>	<u>21,456,179</u>	<u>42,891,704</u>
DEPRECIATION			
At 1 November 2007 and 31 October 2008	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE			
At 31 October 2008	<u>21,435,525</u>	<u>21,456,179</u>	<u>42,891,704</u>
At 31 October 2007	<u>20,936,914</u>	<u>26,047,829</u>	<u>46,984,743</u>

Investment properties situated in Scotland owned by the company have been valued as at 31 October 2008 by Allied Surveyors of Herbert House, 30 Herbert Street, Glasgow, G20 6NB on the basis of open market value with vacant possession.

Investment properties situated in England owned by the company have been valued as at 31 October 2008 by Savills (L&P) Limited of 19/20 City Business Centre, 6 Brighton Road, Horsham, West Sussex, RH13 5BB on the basis of open market value with vacant possession.

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

7. TANGIBLE FIXED ASSETS *(continued)*

On a historical cost basis the net book value of the company's investment properties is £44,927,280.

No asset has been recognised in relation to the capital loss of £4,693,867 (2007 liability: £151,625) which would arise if investment properties were to be sold at their book value.

8. DEBTORS

	2008	Restated 2007
	£	£
Trade debtors	22,120	—
Amounts owed by group undertakings	120	—
Other debtors	1	1
Prepayments and accrued income	19,350	39,928
	<u>41,591</u>	<u>39,929</u>

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

9. CREDITORS: Amounts falling due within one year

	2008	Restated 2007
	£	£
Trade creditors	236,290	155,460
Accruals and deferred income	30,375	189,493
	<u>266,665</u>	<u>344,953</u>

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

	2008	2007
	£	£
Amounts owed to group undertakings	<u>24,569,056</u>	<u>25,208,173</u>

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.

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

12. SHARE CAPITAL

Authorised share capital:

	2008 £	2007 £
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	2008 No	£	2007 No	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total share- holders' funds £
Balance as previously stated 1 Nov 2007	10,000	17,965,635	2,056,923	1,572,329	21,604,887
Prior year adjustment	—	—	—	(16,072)	(16,072)
Restated Balance brought forward 1 Nov 2007	10,000	17,965,635	2,056,923	1,556,167	21,588,815
Profit for the year	—	—	—	1,252,962	1,252,962
Other gains and losses					
Revaluation of fixed assets	—	—	(4,093,039)	—	(4,093,039)
Balance carried forward	<u>10,000</u>	<u>17,965,635</u>	<u>(2,036,116)</u>	<u>2,809,219</u>	<u>18,748,738</u>

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.

TERRACE HILL LETTINGS
MANAGEMENT INFORMATION
YEAR ENDED 31 OCTOBER 2008

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 4 to 5.

TERRACE HILL LETTINGS
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2008

	2008	Restated 2007
	£	£
TURNOVER	2,191,239	1,943,710
COST OF SALES		
Letting agents fees	434,197	754,073
Repairs/maintenance	437,792	134,356
Property insurance	31,058	40,847
	<u>903,047</u>	<u>929,276</u>
GROSS PROFIT	<u>1,288,192</u>	<u>1,014,434</u>
OVERHEADS		
Administrative expenses	67,799	57,518
OPERATING PROFIT	<u>1,220,393</u>	<u>956,916</u>
(Loss)/Profit on disposal of fixed assets	<u>(1,256)</u>	<u>239,021</u>
	<u>1,219,137</u>	<u>1,215,937</u>
Interest receivable	33,825	88,200
PROFIT ON ORDINARY ACTIVITIES	<u>1,252,962</u>	<u>1,304,137</u>

TERRACE HILL LETTINGS

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 2008

	2008 £	2007 £
ADMINISTRATIVE EXPENSES		
General expenses		
General expenses	—	764
Other professional fees	<u>67,705</u>	<u>56,700</u>
	67,705	57,464
Financial costs		
Bank charges	<u>94</u>	<u>54</u>
	67,799	57,518
INTEREST RECEIVABLE		
Bank interest receivable	<u>30,245</u>	<u>88,200</u>
Other interest receivable	<u>3,580</u>	<u>—</u>
	33,825	88,200