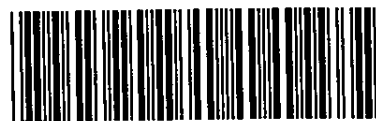


**TERRACE HILL LETTINGS  
FINANCIAL STATEMENTS  
30 SEPTEMBER 2011**

WEDNESDAY



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COMPANIES HOUSE

**TERRACE HILL LETTINGS**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

J M Austen  
M A Kelly  
R F M Adair  
A D Pinto  
T G Walsh

**Company secretary**

Terrace Hill (Secretaries) Limited

**Registered office**

24 Great King Street  
Edinburgh  
EH3 6QN

**Auditor**

BDO LLP  
Statutory Auditor  
55 Baker Street  
London  
W1U 7EU

# **TERRACE HILL LETTINGS**

## **THE DIRECTORS' REPORT**

### **PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011**

The directors present their report and the financial statements of the company for the period from 1 November 2010 to 30 September 2011.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the company during the year was that of property investment. The company held 279 (2010: 279) units in its investment portfolio at the year end at a valuation of £37.5 million (2010 as restated: £36.9 million). The restatement arose from the decision of the company to adopt the investment value basis of valuation in arriving at the fair value of the investment properties held by the group. Details of the restatement are shown in Note 1.

#### **DIRECTORS**

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

J M Austen  
M A Kelly  
R F M Adair  
A D Pinto  
T G Walsh

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

# **TERRACE HILL LETTINGS**

## **THE DIRECTORS' REPORT** *(continued)*

**PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011**

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**

BDO LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

### **SMALL COMPANY PROVISIONS**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Registered office:  
24 Great King Street  
Edinburgh  
EH3 6QN

Signed on behalf of the directors



JM Austen

Director

Approved by the directors on 26 March 2012

# **TERRACE HILL LETTINGS**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRACE HILL LETTINGS**

### **PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011**

We have audited the financial statements of Terrace Hill Lettings for the period from 1 November 2010 to 30 September 2011 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **TERRACE HILL LETTINGS**

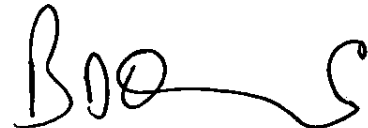
### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRACE HILL LETTINGS *(continued)***

**PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011**

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime.



RUSSELL FIELD (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
55 Baker Street  
London  
W1U 7EU

26 March 2012

BDO LLP is a limited liability partnership registered in England & Wales (with registered number OC305127).

# TERRACE HILL LETTINGS

## PROFIT AND LOSS ACCOUNT

PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011

		Period from 1 Nov 10 to 30 Sep 11	Year to 31 Oct 10 (restated)
	Note	£	£
<b>TURNOVER</b>	<b>2</b>	<b>2,181,614</b>	<b>2,257,135</b>
Cost of sales		<u>717,681</u>	<u>694,940</u>
<b>GROSS PROFIT</b>		<b>1,463,933</b>	<b>1,562,195</b>
Administrative expenses		<u>9,673</u>	<u>123,024</u>
<b>OPERATING PROFIT</b>		<b>1,454,260</b>	<b>1,439,171</b>
Profit/(loss) on revaluation of investment property		<u>545,153</u>	<u>6,126,862</u>
		<b>1,999,413</b>	<b>7,566,033</b>
Interest receivable	<b>4</b>	<b>549</b>	<b>644</b>
Interest payable and similar charges	<b>5</b>	<b>(1,413,412)</b>	<b>(916,046)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>586,550</b>	<b>6,650,631</b>
Tax on profit on ordinary activities	<b>6</b>	<b>—</b>	<b>—</b>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<b><u>586,550</u></b>	<b><u>6,650,631</u></b>

All of the activities of the company are classed as continuing.

The notes on pages 9 to 14 form part of these financial statements.

**TERRACE HILL LETTINGS**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011**

	Period from 1 Nov 10 to 30 Sep 11 £	Year to 31 Oct 10 (restated) £
Profit for the financial period attributable to the shareholders	586,550	6,650,631
Total recognised gains and losses relating to the period	<u>586,550</u>	<u>6,650,631</u>
Prior year adjustment (see note 1)	(7,151,027)	(10,109,179)
Total gains and losses recognised since the last annual report	<u>(6,564,477)</u>	<u>(3,458,548)</u>

The notes on pages 9 to 14 form part of these financial statements.

# TERRACE HILL LETTINGS

## BALANCE SHEET

30 SEPTEMBER 2011

	Note	30 Sep 11 £	31 Oct 10 (restated) £
<b>FIXED ASSETS</b>			
Tangible assets	7	37,460,425	36,915,272
<b>CURRENT ASSETS</b>			
Debtors	8	227,313	240,480
Cash at bank		1,206,649	4,855,736
		1,433,962	5,096,216
<b>CREDITORS: Amounts falling due within one year</b>	9	235,291	319,020
<b>NET CURRENT ASSETS</b>		1,198,671	4,777,196
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		38,659,096	41,692,468
<b>CREDITORS: Amounts falling due after more than one year</b>	10	23,294,636	26,914,558
		15,364,460	14,777,910
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	12	10,000	10,000
Share premium account	13	17,965,635	17,965,635
Profit and loss account	14	(2,611,175)	(3,197,725)
<b>SHAREHOLDER'S FUNDS</b>	15	15,364,460	14,777,910

These financial statements were approved by the directors and authorised for issue on 26 March 2012, and are signed on their behalf by:



JM Austen

Director

Company Registration Number: SC300621

The notes on pages 9 to 14 form part of these financial statements.

# **TERRACE HILL LETTINGS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011**

### **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, and in accordance with applicable UK accounting standards.

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) 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**

The turnover shown in the profit and loss account represents rental income which is recognised on a straight line basis over the term of the lease.

#### **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.

#### **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:

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

(ii) 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 the underlying timing differences.

Deferred tax balances are not discounted.

# TERRACE HILL LETTINGS

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011

### 1. ACCOUNTING POLICIES *(continued)*

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Restatement of prior years

The company's investment properties are revalued annually to market value, with temporary changes in market value being recognised in the Revaluation Reserve and permanent diminution in value being taken to the profit and loss account.

In prior years the market value of residential investment properties owned by the company has been interpreted by applying the special assumption of vacant possession in accordance with RICS Valuation Standards VS 3 Appendix 4.

As a consequence of prices achieved on sales of residential properties in the parent company during the financial period ended 30 September 2011 and following the stated intention to place the residential portfolio owned by Terrace Hill Residential PLC and the company on the market, the board has reviewed the valuation basis to be adopted for the purposes of market value for residential investment property in the financial statements both in the current period and prior years.

The board concluded that market value, as required by SSAP 19 "Investment Property", should be determined by adopting an investment value basis of valuation, as defined by RICS Valuation Standards VS 4, as it better reflects the price at which the residential properties could be exchanged between knowledgeable, willing parties in arm's length transactions and is more appropriate for inclusion in financial statements than the previous valuation basis. Accordingly, the investment value basis has been adopted for residential property held by the company in the current year and has been retrospectively applied to prior years. The impact of the restatement on 31 October 2010 is to:

- reduce the company's tangible fixed assets by £7,151,027, increase profit by £6,126,862, and increase the revaluation reserve by £861,521

### 2. TURNOVER

An analysis of turnover is given below:

	Period from 1 Nov 10 to 30 Sep 11 £	Year to 31 Oct 10 (restated) £
Rental income	<u>2,181,614</u>	<u>2,257,135</u>

# TERRACE HILL LETTINGS

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011

### 3. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial period, including the directors, amounted to 4 (2010 - 4).

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

### 4. INTEREST RECEIVABLE

	Period from 1 Nov 10 to 30 Sep 11	Year to 31 Oct 10 (restated)
	£	£
Other interest receivable	<u>549</u>	<u>644</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 1 Nov 10 to 30 Sep 11	Year to 31 Oct 10 (restated)
	£	£
Interest payable on group loans	<u>1,413,412</u>	<u>916,046</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 27% (2010 - 28%).

	Period from 1 Nov 10 to 30 Sep 11	Year to 31 Oct 10 (restated)
	£	£
Profit on ordinary activities before taxation	<u>586,550</u>	<u>6,650,631</u>
Profit on ordinary activities by rate of tax	158,368	1,862,177
Transfer pricing adjustment	-	(149,606)
Losses carried forward	-	2,951
Non-taxable income	(147,191)	(1,715,522)
Group relief	<u>(11,177)</u>	-
Total current tax	<u>-</u>	<u>-</u>

# TERRACE HILL LETTINGS

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011

### 7. TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold Property £	Total £
<b>COST OR VALUATION</b>			
At 1 November 2010	22,495,533	21,570,766	44,066,299
Prior year adjustment	(3,473,813)	(3,677,214)	(7,151,027)
<b>At 1 November 2010 restated</b>	<b>19,021,720</b>	<b>17,893,552</b>	<b>36,915,272</b>
Revaluation	398,605	146,548	545,153
<b>At 30 September 2011</b>	<b>19,420,325</b>	<b>18,040,100</b>	<b>37,460,425</b>
<b>NET BOOK VALUE</b>			
<b>At 30 September 2011</b>	<b>19,420,325</b>	<b>18,040,100</b>	<b>37,460,425</b>
At 31 October 2010 restated	19,021,720	17,893,552	36,915,272

Residential investment properties owned by the company have been valued as at 30 September 2011 by qualified valuers from Allsop LLP, an independent firm of Chartered Surveyors, on an investment value basis. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

On a historical cost basis the net book value of the company's investment properties is £44,927,820 (2010 - £44,927,820).

No deferred tax asset has been recognised in relation to the capital loss of £9,558,598 (2010: capital loss: £1,909,840) which would arise if investment properties were to be sold at their book value.

### 8. DEBTORS

	30 Sep 11 £	31 Oct 10 (restated) £
Trade debtors	227,312	189,142
Other debtors	1	1
Prepayments and accrued income	—	51,337
	<b>227,313</b>	<b>240,480</b>

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

### 9. CREDITORS: Amounts falling due within one year

	30 Sep 11 £	31 Oct 10 (restated) £
Trade creditors	235,291	149,354
Other creditors	—	169,666
	<b>235,291</b>	<b>319,020</b>

# TERRACE HILL LETTINGS

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011

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

	30 Sep 11	31 Oct 10 (restated)
	£	£
Amounts owed to group undertakings	<u>23,294,636</u>	<u>26,914,558</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

Allotted, called up and fully paid:

	30 Sep 11		31 Oct 10 (restated)	
	No	£	No	£
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

### 13. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial period.

### 14. PROFIT AND LOSS ACCOUNT

	Revaluation Reserve (restated) £	Profit and loss account (restated) £
Balance brought forward as previously reported	(861,521)	4,814,823
Prior year adjustment (see note 1)	<u>861,521</u>	<u>(8,012,548)</u>
Balance brought forward restated	-	(3,197,725)
Profit for the financial period	-	<u>586,550</u>
Balance carried forward	-	<u>(2,611,175)</u>

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 Sep 11	31 Oct 10 (restated)
	£	£
Profit for the financial period	<u>586,550</u>	6,650,631
Net addition to shareholders' funds	<u>586,550</u>	6,650,631
Opening shareholders' funds	<u>14,777,910</u>	8,127,279
Closing shareholders' funds	<u>15,364,460</u>	<u>14,777,910</u>

# **TERRACE HILL LETTINGS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**PERIOD FROM 1 NOVEMBER 2010 TO 30 SEPTEMBER 2011**

### **16. ULTIMATE PARENT COMPANY**

The ultimate parent company is Terrace Hill Residential plc, which is registered in Scotland.

Copies of the consolidated financial statements of Terrace Hill Residential plc are available from the company's registered office.