

COMPANY REGISTRATION NUMBER SC300621

**TERRACE HILL LETTINGS
FINANCIAL STATEMENTS
31 OCTOBER 2009**

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TERRACE HILL LETTINGS
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2009

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TERRACE HILL LETTINGS
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

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

Company secretary

Terrace Hill (Secretaries) Limited

Registered office

144 West George Street
Glasgow
G2 2HG

Auditor

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

TERRACE HILL LETTINGS
THE DIRECTORS' REPORT
YEAR ENDED 31 OCTOBER 2009

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 October 2009.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of property investment. The company held 279 (2008: 279) units in its investment portfolio at the year end at a valuation of £40.8 million (2008: £42.8 million). The value of the properties has fallen by 4.8% since last year.

The company occupancy level of the portfolio at 31 October 2009 was 93.5% compared to 94.6% at the previous year end.

Rental growth is now largely static, as a consequence of an increased supply of properties to let. The rents from our properties remains very affordable and offer better value than much of the competition. As ever, we aim to maintain a careful balance between rental levels and occupancy rates.

RESULTS AND DIVIDENDS

The profit for the year amounted to £1,481,835. The directors have not recommended a dividend.

DIRECTORS

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

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

J M Austen was appointed as a director on 6 July 2009.

A B Wilson retired as a director on 6 July 2009.

V Basham retired as a director on 24 November 2009.

TERRACE HILL LETTINGS
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 OCTOBER 2009

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 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

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.

Registered office:
144 West George Street
Glasgow
G2 2HG

Signed by order of the directors


DIRECTOR FOR AND ON BEHALF OF

TERRACE HILL (SECRETARIES)
LIMITED
Company Secretary

Approved by the directors on 29/04/2010

TERRACE HILL LETTINGS

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

YEAR ENDED 31 OCTOBER 2009

We have audited the financial statements of Terrace Hill Lettings for the year ended 31 October 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 31 October 2009 and of its profit for the year 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 year 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)*

YEAR ENDED 31 OCTOBER 2009

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.

BDO LLP

Neil Craig (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Glasgow
United Kingdom

29/04/2010

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

TERRACE HILL LETTINGS
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2009

	Note	2009 £	2008 £
TURNOVER	2	2,249,786	2,191,239
Cost of sales		<u>714,599</u>	<u>903,047</u>
GROSS PROFIT		1,535,187	1,288,192
Administrative expenses		<u>57,632</u>	<u>67,799</u>
OPERATING PROFIT		1,477,555	1,220,393
Loss on disposal of fixed assets	4	<u>765</u>	<u>1,256</u>
		1,476,790	1,219,137
Interest receivable	5	<u>5,045</u>	<u>33,825</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,481,835	1,252,962
Tax on profit on ordinary activities	6	—	—
PROFIT FOR THE FINANCIAL YEAR		<u>1,481,835</u>	<u>1,252,962</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 2009

	2009 £	2008 £
Profit for the financial year attributable to the shareholders	1,481,835	1,252,962
Unrealised loss on revaluation of certain fixed assets	<u>(1,994,115)</u>	<u>(4,093,039)</u>
Total gains and losses recognised since the last annual report	<u>(512,280)</u>	<u>(2,840,077)</u>

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

TERRACE HILL LETTINGS

BALANCE SHEET

31 OCTOBER 2009

COMPANY REGISTRATION NUMBER SC300621

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	7	<u>40,897,590</u>	<u>42,891,704</u>
CURRENT ASSETS			
Debtors	8	225,827	41,591
Cash at bank		<u>1,624,044</u>	<u>651,164</u>
		1,849,871	692,755
CREDITORS: Amounts falling due within one year	9	<u>381,856</u>	<u>266,665</u>
NET CURRENT ASSETS		<u>1,468,015</u>	<u>426,090</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>42,365,605</u>	<u>43,317,794</u>
CREDITORS: Amounts falling due after more than one year	10	<u>24,129,147</u>	<u>24,569,056</u>
		<u>18,236,458</u>	<u>18,748,738</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	10,000	10,000
Share premium account	14	17,965,635	17,965,635
Revaluation reserve	14	(4,030,231)	(2,036,116)
Profit and loss account	14	<u>4,291,054</u>	<u>2,809,219</u>
SHAREHOLDERS' FUNDS	14	<u>18,236,458</u>	<u>18,748,738</u>

These financial statements were approved by the directors and authorised for issue on 29/04/2010 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 2009

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 2009

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:

	2009 £	2008 £
United Kingdom	<u>2,249,786</u>	<u>2,191,239</u>

3. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial year, including the directors, amounted to 5 (2008 - 5).

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

4. LOSS ON DISPOSAL OF FIXED ASSETS

	2009 £	2008 £
Loss on disposal of fixed assets	<u>765</u>	<u>1,256</u>

5. INTEREST RECEIVABLE

	2009 £	2008 £
Bank interest receivable	4,617	30,245
Other interest receivable	428	3,580
	<u>5,045</u>	<u>33,825</u>

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% (2008 - 28.83%).

	2009 £	2008 £
Profit on ordinary activities before taxation	<u>1,481,835</u>	<u>1,252,962</u>
Profit on ordinary activities by rate of tax	414,914	361,229
Losses carried forward	(24,337)	24,337
Loss on disposal of property	215	-
Group relief	(390,792)	-
Interest received under UK to UK transfer pricing rules	-	(385,566)
Total current tax	<u>-</u>	<u>-</u>

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2009

7. TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold Property £	Total £
COST OR VALUATION			
At 1 November 2008	21,435,525	21,456,179	42,891,704
Revaluation	(765,001)	(1,229,113)	(1,994,114)
At 31 October 2009	<u>20,670,524</u>	<u>20,227,066</u>	<u>40,897,590</u>
DEPRECIATION			
At 1 November 2008 and 31 October 2009	—	—	—
NET BOOK VALUE			
At 31 October 2009	<u>20,670,524</u>	<u>20,227,066</u>	<u>40,897,590</u>
At 31 October 2008	<u>21,435,525</u>	<u>21,456,179</u>	<u>42,891,704</u>

Investment properties situated in Scotland owned by the company have been valued as at 31 October 2009 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 2009 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.

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

No asset has been recognised in relation to the capital loss of £4,070,533 (2008 capital loss: £4,693,867) which would arise if investment properties were to be sold at their book value.

8. DEBTORS

	2009 £	2008 £
Trade debtors	205,626	22,120
Amounts owed by group undertakings	—	120
Other debtors	1	1
Prepayments and accrued income	<u>20,200</u>	<u>19,350</u>
	<u>225,827</u>	<u>41,591</u>

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

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2009

9. CREDITORS: Amounts falling due within one year

	2009	2008
	£	£
Trade creditors	350,346	236,290
Accruals and deferred income	31,510	30,375
	<u>381,856</u>	<u>266,665</u>

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

	2009	2008
	£	£
Amounts owed to group undertakings	<u>24,129,147</u>	<u>24,569,056</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:

	2009	2008
	£	£
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2009

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 brought forward	10,000	17,965,635	(2,036,116)	2,809,219	18,748,738
Profit for the year	—	—	—	1,481,835	1,481,835
Other gains and losses - Revaluation of fixed assets	—	—	(1,994,115)	—	(1,994,115)
Balance carried forward	<u>10,000</u>	<u>17,965,635</u>	<u>(4,030,231)</u>	<u>4,291,054</u>	<u>18,236,458</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, 144 West George Street, Glasgow G2 2HG.