

COMPANY REGISTRATION NUMBER SC300621

**TERRACE HILL LETTINGS
FINANCIAL STATEMENTS
31 OCTOBER 2010**

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TERRACE HILL LETTINGS
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2010

CONTENTS	PAGES
Officers and professional advisers	1
The directors' report	2 to 3
Independent auditor's report to the members	4 to 5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9 to 13
The following pages do not form part of the financial statements	
Detailed profit and loss account	15
Notes to the detailed profit and loss account	16

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 2010

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 October 2010.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of property investment. The company held 279 (2009: 279) units in its investment portfolio at the year end at a valuation of £44.07 million (2009: £40.8 million). The value of the portfolio has risen by 7.7% since last year.

The occupancy level of the portfolio at 31 October 2010 was 94.9% compared to 93.5% 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 £523,769. 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
T G Walsh

V Basham retired as a director on 24 November 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

TERRACE HILL LETTINGS
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 OCTOBER 2010

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:

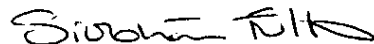
- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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



TERRACE HILL (SECRETARIES)
LIMITED
Company Secretary

Approved by the directors on 22/03/2011

TERRACE HILL LETTINGS

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

YEAR ENDED 31 OCTOBER 2010

We have audited the financial statements of Terrace Hill Lettings for the year ended 31 October 2010 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 AUDITOR

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 2010 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 2010

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.

BSW LLP

Neil Craig (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Glasgow

22/03/2011

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

TERRACE HILL LETTINGS
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2010

	Note	2010 £	2009 £
TURNOVER	2	2,257,135	2,239,858
Cost of sales		<u>694,940</u>	<u>714,599</u>
GROSS PROFIT		1,562,195	1,525,259
Administrative expenses		<u>123,024</u>	<u>47,704</u>
OPERATING PROFIT		1,439,171	1,477,555
Loss on disposal of fixed assets	4	<u>—</u>	<u>(765)</u>
		1,439,171	1,476,790
Interest receivable	5	644	5,045
Interest payable and similar charges	6	(916,046)	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>523,769</u>	<u>1,481,835</u>
Tax on profit on ordinary activities	7	<u>—</u>	<u>—</u>
PROFIT FOR THE FINANCIAL YEAR		<u>523,769</u>	<u>1,481,835</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 2010

	2010 £	2009 £
Profit for the financial year attributable to the shareholders	523,769	1,481,835
Unrealised profit/(loss) on revaluation of certain fixed assets	<u>3,168,709</u>	<u>(1,994,115)</u>
Total gains and losses recognised since the last annual report	<u>3,692,478</u>	<u>(512,280)</u>

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

TERRACE HILL LETTINGS


BALANCE SHEET

31 OCTOBER 2010

COMPANY REGISTRATION NUMBER: SC300621

	Note	2010 £	2009 £
FIXED ASSETS			
Tangible assets	8	<u>44,066,299</u>	<u>40,897,590</u>
CURRENT ASSETS			
Debtors	9	240,480	225,827
Cash at bank		<u>4,855,736</u>	<u>1,624,044</u>
		5,096,216	1,849,871
CREDITORS: Amounts falling due within one year	10	<u>319,020</u>	<u>381,856</u>
NET CURRENT ASSETS		<u>4,777,196</u>	<u>1,468,015</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,843,495</u>	<u>42,365,605</u>
CREDITORS: Amounts falling due after more than one year	11	<u>26,914,558</u>	<u>24,129,147</u>
		<u>21,928,937</u>	<u>18,236,458</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	(861,521)	(4,030,231)
Profit and loss account	14	<u>4,814,823</u>	<u>4,291,054</u>
SHAREHOLDERS' FUNDS	14	<u>21,928,937</u>	<u>18,236,458</u>

These financial statements were approved by the directors and authorised for issue on 22/03/2011, 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 2010

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.

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
YEAR ENDED 31 OCTOBER 2010

1. ACCOUNTING POLICIES *(continued)*

Comparative figures

The Profit and Loss Account for the prior year reflects reallocations to ensure consistency with the current year with no impact on the profit for that year.

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:

	2010 £	2009 £
United Kingdom	<u>2,257,135</u>	<u>2,239,858</u>

3. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial year, including the directors, amounted to 4 (2009 - 5).

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

4. LOSS ON DISPOSAL OF FIXED ASSETS

	2010 £	2009 £
Loss on disposal of fixed assets	<u>-</u>	<u>(765)</u>

5. INTEREST RECEIVABLE

	2010 £	2009 £
Bank interest receivable	-	4,617
Other interest receivable	<u>644</u>	<u>428</u>
	<u>644</u>	<u>5,045</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Interest payable on bank borrowing	<u>916,046</u>	<u>-</u>

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2010

7. 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% (2009 - 28%).

	2010 £	2009 £
Profit on ordinary activities before taxation	<u>523,769</u>	<u>1,481,835</u>
Profit on ordinary activities by rate of tax	146,655	414,914
Transfer pricing adjustment	(149,606)	-
Losses carried forward	2,951	(24,337)
Loss on disposal of property	-	215
Group relief	-	(390,792)
Total current tax	<u>-</u>	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold Property £	Total £
COST OR VALUATION			
At 1 November 2009	20,670,524	20,227,066	40,897,590
Revaluation	1,825,009	1,343,700	3,168,709
At 31 October 2010	<u>22,495,533</u>	<u>21,570,766</u>	<u>44,066,299</u>
DEPRECIATION			
At 1 November 2009 and 31 October 2010	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE			
At 31 October 2010	<u>22,495,533</u>	<u>21,570,766</u>	<u>44,066,299</u>
At 31 October 2009	<u>20,670,524</u>	<u>20,227,066</u>	<u>40,897,590</u>

Investment properties have been valued as at 31 October 2010 by Allsop Property Consultants of 33 Park Place, Leeds, LS1 2RY 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 deferred tax asset has been recognised in relation to the capital loss of £1,909,840 (2009: capital loss: £4,070,533) which would arise if investment properties were to be sold at their book value.

TERRACE HILL LETTINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2010

9. DEBTORS

	2010 £	2009 £
Trade debtors	189,142	205,626
Other debtors	1	1
Prepayments and accrued income	51,337	20,200
	<u>240,480</u>	<u>225,827</u>

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

10. CREDITORS: Amounts falling due within one year

	2010 £	2009 £
Trade creditors	149,354	350,346
Other creditors	169,666	–
Accruals and deferred income	–	31,510
	<u>319,020</u>	<u>381,856</u>

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

	2010 £	2009 £
Amounts owed to group undertakings	<u>26,914,558</u>	<u>24,129,147</u>

12. 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.

13. SHARE CAPITAL

Allotted and called up:

	2010 £	2009 £
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 2010

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total share-holder s' 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 brought forward	10,000	17,965,635	(4,030,231)	4,291,054	18,236,458
Profit for the year	—	—	—	523,769	523,769
Other gains and losses					
- Revaluation of fixed assets	—	—	3,168,710	—	3,168,710
Balance carried forward	10,000	17,965,635	(861,521)	4,814,823	21,928,937

15. 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.

**TERRACE HILL LETTINGS
MANAGEMENT INFORMATION
YEAR ENDED 31 OCTOBER 2010**

**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 2010

	2010	2009
	£	£
TURNOVER	2,257,135	2,239,858
COST OF SALES		
Letting agent fees	233,765	225,662
Repairs and maintenance	427,689	457,467
Property insurance	33,486	31,470
	<u>694,940</u>	<u>714,599</u>
GROSS PROFIT	<u>1,562,195</u>	<u>1,525,259</u>
OVERHEADS		
Administrative expenses	<u>123,024</u>	<u>47,704</u>
OPERATING PROFIT	<u>1,439,171</u>	<u>1,477,555</u>
Loss on disposal of fixed assets	—	(765)
	<u>1,439,171</u>	<u>1,476,790</u>
Interest receivable	<u>644</u>	<u>5,045</u>
	<u>1,439,815</u>	<u>1,481,835</u>
Bank interest payable	<u>(916,046)</u>	<u>—</u>
PROFIT ON ORDINARY ACTIVITIES	<u>523,769</u>	<u>1,481,835</u>

TERRACE HILL LETTINGS

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 2010

	2010		2009
	£	£	£
ADMINISTRATIVE EXPENSES			
General expenses			
Other professional fees		60,494	57,575
Financial costs			
Provision for doubtful debts	(35,052)		(9,928)
Bank charges	<u>97,582</u>		<u>57</u>
		<u>62,530</u>	<u>(9,871)</u>
		<u>123,024</u>	<u>47,704</u>
INTEREST RECEIVABLE			
Bank interest receivable		-	4,617
Other interest receivable		<u>644</u>	<u>428</u>
		<u>644</u>	<u>5,045</u>