

TERRACE HILL DEVELOPMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2006

THURSDAY



LD4 *L3VFRRDT* 187
19/07/2007
COMPANIES HOUSE

TERRACE HILL DEVELOPMENTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

N J C Turnbull
R E Lane
P A J Leech
A J W Pratt
K W Grundy
N M Wakefield

Company secretary

Park Circus (Secretaries) Limited

Registered office

1 Portland Place
London
W1B 1PN

Auditor

BDO Stoy Hayward LLP
Chartered Accountants
& Registered Auditors
8 Baker Street
London W1U 3LL

TERRACE HILL DEVELOPMENTS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 OCTOBER 2006

The directors present their report and the financial statements of the company for the year ended 31 October 2006

PRINCIPAL ACTIVITIES

The principal activities of the company are property development, the provision of development management services and an investment holding company

DIRECTORS'

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

N J C Turnbull
R E Lane
P A J Leech
A J W Pratt
K W Grundy
N M Wakefield

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent and ultimate parent companies

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 year

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors 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

AUDITOR

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

TERRACE HILL DEVELOPMENTS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 OCTOBER 2006

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

Registered office
1 Portland Place
London
W1B 1PN

Signed by order of the directors



PARK CIRCUS (SECRETARIES) LIMITED
Company Secretary

Approved by the directors on 25 April 2007

TERRACE HILL DEVELOPMENTS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TERRACE HILL DEVELOPMENTS LIMITED
YEAR ENDED 31 OCTOBER 2006

We have audited the financial statements of Terrace Hill Developments Limited for the year ended 31 October 2006 which comprise the Profit and Loss account, the Balance Sheet and 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.

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

TERRACE HILL DEVELOPMENTS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
TERRACE HILL DEVELOPMENTS LIMITED *(continued)*
YEAR ENDED 31 OCTOBER 2006

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

8 Baker Street
London W1U 3LL

BDO STOY HAYWARD LLP
Chartered Accountants
& Registered Auditors

25 April 2007

TERRACE HILL DEVELOPMENTS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 2006

	Note	2006 £	2005 £
TURNOVER	2	12,306,411	–
Cost of sales		<u>(11,991,431)</u>	<u>(158,437)</u>
GROSS PROFIT/(LOSS)		314,980	(158,437)
Administrative expenses		<u>(121,157)</u>	<u>(120,153)</u>
OPERATING PROFIT/(LOSS)	3	193,823	(278,590)
Interest receivable		688	2,148
Interest payable and similar charges	5	–	(23)
		<u> </u>	<u> </u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		194,511	(276,465)
Tax on profit/(loss) on ordinary activities	6	(3,000)	–
		<u> </u>	<u> </u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>191,511</u>	<u>(276,465)</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the
year as set out above

The notes on pages 8 to 11 form part of these financial statements

TERRACE HILL DEVELOPMENTS LIMITED

BALANCE SHEET

31 OCTOBER 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Investments	7	100	—
CURRENT ASSETS			
Stocks	8	2,083,872	159,301
Debtors	9	302,122	172,020
Cash at bank		13,648	—
		<u>2,399,642</u>	<u>331,321</u>
CREDITORS: Amounts falling due within one year	10	<u>1,915,663</u>	<u>38,753</u>
NET CURRENT ASSETS		<u>483,979</u>	<u>292,568</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>484,079</u>	<u>292,568</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	750,000	750,000
Profit and loss account	13	(265,921)	(457,432)
SHAREHOLDERS' FUNDS	14	<u>484,079</u>	<u>292,568</u>

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



R E LANE

The notes on pages 8 to 11 form part of these financial statements.

TERRACE HILL DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

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

Turnover represents the sales of trading properties, rental and service charge income excluding Value Added Tax and arises solely within the United Kingdom. Sales of properties are reflected in the accounts if the property is deemed to be practically complete and an unconditional contract is exchanged by the balance sheet date.

Work in progress

Development work in progress is valued at the lower of cost and net realisable value. Interest and other attributable costs are included in the value of work in progress where appropriate.

Provision is made for any foreseeable losses where appropriate. No element of profit is included in work in progress.

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:

	2006	2005
	£	£
United Kingdom		
Sale of property	11,765,527	-
Development management services	540,884	-
	<u>12,306,411</u>	<u>-</u>

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2006	2005
	£	£
Directors' emoluments	<u>-</u>	<u>-</u>

4. PARTICULARS OF EMPLOYEES

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

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Interest payable on bank borrowing	<u>-</u>	<u>23</u>

TERRACE HILL DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2006

6. TAXATION ON ORDINARY ACTIVITIES

	2006 £	2005 £
Current tax		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	3,000	-
Total current tax	<u>3,000</u>	<u>-</u>

Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006 £	2005 £
Profit/(loss) on ordinary activities before taxation	<u>194,511</u>	<u>(276,465)</u>
Profit/(loss) on ordinary activities by rate of tax	58,353	(82,940)
Group Relief	<u>(55,353)</u>	<u>82,940</u>
Total current tax	<u>3,000</u>	<u>-</u>

7. INVESTMENTS

	Investment in subsidiary £
COST	
Additions	100
At 31 October 2006	<u>100</u>
NET BOOK VALUE	
At 31 October 2006	<u>100</u>

TERRACE HILL DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2006

8 STOCKS

	2006	2005
	£	£
Work in progress	<u>2,083,872</u>	<u>159,301</u>

Work in progress includes interest of £nil capitalised

9. DEBTORS

	2006	2005
	£	£
Trade debtors	18,425	60,554
Amounts owed by group undertakings	—	96,504
Other debtors	210,027	14,962
Prepayments and accrued income	<u>73,670</u>	<u>—</u>
	<u>302,122</u>	<u>172,020</u>

10. CREDITORS: Amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	—	1,786
Trade creditors	77,768	36,967
Amounts owed to group undertakings	1,587,895	—
Accruals and deferred income	<u>250,000</u>	<u>—</u>
	<u>1,915,663</u>	<u>38,753</u>

11. RELATED PARTY TRANSACTIONS

The controlling party of the company during the year was Saffery Champness Trust Corporation, trustees of a life interest trust of which R F M Adair is a beneficiary

R F M Adair is a director of Terrace Hill Group Plc

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, 'Related Party Transactions', not to disclose any transactions with entities that are included in the consolidated financial statements of Terrace Hill Group Plc

12. SHARE CAPITAL

Authorised share capital:

	2006	2005
	£	£
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>

TERRACE HILL DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2006

13 PROFIT AND LOSS ACCOUNT

	2006	2005
	£	£
Balance brought forward	(457,432)	(180,967)
Profit/(loss) for the financial year	191,511	(276,465)
Balance carried forward	<u>(265,921)</u>	<u>(457,432)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
Profit/(Loss) for the financial year	191,511	(276,465)
Opening shareholders' funds	292,568	569,033
Closing shareholders' funds	<u>484,079</u>	<u>292,568</u>

15 ULTIMATE PARENT COMPANY

The immediate parent company is Terrace Hill Limited a company registered in England and Wales
The ultimate parent company is Terrace Hill Group Plc which is registered in Scotland

Copies of the consolidated financial statements of Terrace Hill Group Plc are available from the company's registered office