

REDHOUSE HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2005



Registered No: 3902049

Company information

Directors

R Butcher
R M Culliford
S G Ives
S McBride
D M Wells

Secretary

Teesland Secretarial Services Limited

Auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers

Bank of Scotland
P.O. Box 39900
Level 7, Bishopsgate Exchange
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EC2M 3YB

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Europa House
20 Esplanade
Scarborough
YO11 2AQ

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Directors' Report

The Directors present their Report and the audited Financial Statements of the Group for the year ended 28 February 2005.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Group is the development of land and property. Both the level of business for the year and financial position at the year end were as anticipated and the Directors expect that the financial position of the Group will be maintained during 2005/2006.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 28 February 2005 are set out in the Profit and Loss Account on page 6. The Directors do not recommend the payment of a dividend (2004: £Nil).

DIRECTORS AND THEIR INTERESTS

The Directors who have held office for the whole of the year under review, unless otherwise stated, are as follows:-

R Butcher
S McBride
D M Wells
R M Culliford
S G Ives

According to the register maintained as required under the Companies Act 1985, none of the Directors had any interest in the share capital of the Company.

There were no other interests notifiable under Section 324 of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 the Group and of the profit or loss of the Group for that period. The Directors are required to prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently during the year, as explained in the accounting policies note. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the Financial Statements for the year ended 28 February 2005, and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group, 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as the auditors will be proposed at the next Annual General Meeting.

BY ORDER OF THE BOARD



For and on behalf of
Teesland Secretarial Services Limited
Secretary
7 October 2005

Independent Auditors' Report to the Members of Redhouse Holdings Limited

We have audited the Financial Statements which comprise the Consolidated Profit and Loss Account, the Group Balance Sheet, the Company Balance Sheet and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This Report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose, or to any other person to whom this Report is shown, or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if 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 transactions is not disclosed.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards 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 judgments 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 of the state of affairs of the Company and the Group as at 28 February 2005, and of the Group's loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

Dated: 28 October 2005

Consolidated Profit and loss account

for the year ended 28 February 2005

	Notes	Year Ended 28 February 2005 £	Year Ended 29 February 2004 £
TURNOVER	1	-	39,100,000
Cost of Sales		(80,391)	(31,849,696)
GROSS (LOSS)/PROFIT		(80,391)	7,250,304
Administrative expenses		(775)	(6,656,723)
Other income		7,775	-
OPERATING (LOSS)/PROFIT	2	(73,391)	593,581
Interest receivable and similar income	4	429	-
Interest payable and similar charges	4	-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(72,962)	593,581
Taxation	5	14,078	(475,143)
(LOSS SUSTAINED)/RETAINED PROFIT FOR THE YEAR	12	(58,884)	118,438

Other than the loss for the year, there have been no recognised gains or losses.

The above results derive from continuing operations throughout the year.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial years stated above and their historical cost equivalents.

Consolidated Balance Sheet

As at 28 February 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Intangible assets	6	1,387,871	1,387,871
		<u>1,387,871</u>	<u>1,387,871</u>
CURRENT ASSETS			
Stock and work in progress	7	5,301,519	4,196,326
Debtors	9	452,142	726,319
Cash at bank		-	4,853,896
		<u>5,753,661</u>	<u>9,776,541</u>
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(7,040,912)	(11,004,907)
NET CURRENT LIABILITIES		<u>(1,287,250)</u>	<u>(1,228,366)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>100,621</u>	<u>159,505</u>
NET ASSETS		<u><u>100,621</u></u>	<u><u>159,505</u></u>
CAPITAL AND RESERVES			
Share capital	11	1,000	1,000
Profit and loss account	12	99,621	158,505
EQUITY SHAREHOLDERS' FUNDS	12	<u><u>100,621</u></u>	<u><u>159,505</u></u>

The Financial Statements on pages 6 to 15 were approved by the Board on 7 October 2005 and signed on its behalf by:



S McBride
Director



R Butcher
Director

Company Balance Sheet

As at 28 February 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Investments	8	1,387,604	1,387,604
		<u>1,387,604</u>	<u>1,387,604</u>
CURRENT ASSETS			
Debtors	9	1,902,546	199,117
Cash at bank		-	2,101,820
		<u>1,902,546</u>	<u>2,300,937</u>
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(3,286,061)	(3,684,452)
NET CURRENT LIABILITIES		<u>(1,383,515)</u>	<u>(1,383,515)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,089</u>	<u>4,089</u>
NET ASSETS		<u><u>4,089</u></u>	<u><u>4,089</u></u>
CAPITAL AND RESERVES			
Share capital	11	1,000	1,000
Profit and loss account	12	3,089	3,089
EQUITY SHAREHOLDERS' FUNDS	12	<u><u>4,089</u></u>	<u><u>4,089</u></u>

The Financial Statements on pages 6 to 15 were approved by the Board on 7 October 2005 and signed on its behalf by:



S McBride
Director



R Butcher
Director

Notes to the Financial Statements

For the year ended 28 February 2005

1. ACCOUNTING POLICIES

(a) **Accounting convention.**

The Financial Statements are prepared on a going concern basis under the historical cost convention, the accounting policies below, in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

(b) **Stock and Work in Progress**

Development work in progress is stated at the lower of cost and net realisable value. Cost is based on the cost of the property and the costs and interest paid in respect of borrowings to finance the relevant developments.

(c) **Interest Cost**

Interest which can fairly be attributed to properties held for, or in the course of, development is considered to be part of the cost. Interest is calculated by reference to specific borrowings where relevant and otherwise by reference to the average rate paid on funding the assets employed by the company. Interest is attributed to the development for the period until substantially all activities necessary to bring the development into use have been completed.

(d) **Turnover**

Income arising on the sale of development projects is recognised on unconditional exchange of contracts.

(e) **Basis of Consolidation**

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings.

(f) **Deferred Taxation**

Deferred taxation is provided if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted by the balance sheet date.

(g) **Cash Flow Statement**

The group qualifies as a small group under the terms of Section 247 of the Companies Act 1985. As a consequence, it is exempt from the requirements to publish a cash flow statement.

(h) **Goodwill**

Goodwill arising on the acquisition of subsidiaries is capitalised on the balance sheet and amortised as parts of the relevant developments, to which it relates, within the subsidiary are sold. Goodwill is reviewed on an annual basis for changes in the circumstances relating to the particular acquisitions or underlying development.

(i) **Investments**

Investments are held at cost less provision for amounts that are not expected to be recoverable.

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

2. OPERATING (LOSS)/PROFIT

	Year Ended 28 February 2005 £	Year Ended 29 February 2004 £
This is stated after charging:-		
Group		
Goodwill amortisation	-	1,021,615
Auditors' remuneration – audit fees	10,500	7,500
Auditors' remuneration – non audit fees	2,550	51,600
Management fees	-	6,595,920
	<u> </u>	<u> </u>

The company's audit and non audit fees £nil because they are borne by a subsidiary undertaking (2004: £Nil). The group had no employees during the year (2004: None). None of the directors received any remuneration in the year (2004: £Nil).

3. PROFIT AND LOSS ACCOUNT

Redhouse Holdings Limited has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The attributable profit for the year dealt with in the accounts of the Company is £Nil (2004: £85,109).

4. INTEREST

	Year Ended 28 February 2005 £	Year Ended 29 February 2004 £
INTEREST PAYABLE AND SIMILAR CHARGES		
Bank Interest payable	383	578,680
Interest on joint venture partner loans	198,830	243,347
Interest on loans from related parties (note 14)	-	52,654
Less: Amounts attributed to development work in progress	(199,213)	(874,681)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest on cash at bank	2,100	-
Other interest receivable	429	-
Less: Amounts attributed to development work in progress	(2,100)	-
	<u> </u>	<u> </u>
	429	-
	<u> </u>	<u> </u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

5. TAXATION

	<i>Year Ended</i> <i>28 February 2005</i> £	<i>Year Ended</i> <i>29 February 2004</i> £
UK Corporation tax (credit)/charge on (loss)/profit for the year	(11,007)	484,553
Adjustment in respect of previous year	(3,071)	(9,410)
	<u>(14,078)</u>	<u>475,143</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

(Loss)/profit on ordinary activities before taxation	(72,962)	593,581
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK at 30% (2004: 30%)	(21,888)	178,074
Actual tax (credit)/charge for the period	(14,078)	475,143
The difference is represented by:		
Adjustments to tax in respect of previous years	(3,071)	(9,410)
Expenses not deductible for tax purposes	(127)	306,479
Losses carried forward but not recognised	11,008	-

The deferred tax asset for the losses incurred of £11,008 (2004: £Nil) has not been recognised as the directors cannot at this stage be certain of the ultimate profitability of the project and it would not be appropriate to recognise the deferred tax asset.

6. INTANGIBLE ASSETS

	£
Group	
<u>Cost</u>	
Balance at 1 March 2004 and 28 February 2005	2,679,617
<u>Amortisation</u>	
Balance at 1 March 2004 and 28 February 2005	1,291,746
<u>Net Book Value</u>	
At 29 February 2004 and 28 February 2005	<u>1,387,871</u>

The asset represents goodwill arising on the acquisition of Redhouse Projects Limited.

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

7. STOCK AND WORK IN PROGRESS

	2005 Group £	2004 Group £
Development work in progress	5,301,519	4,196,326

Development work in progress includes attributable interest of £634,454 (2004: £437,341). The company has no development work in progress.

8. INVESTMENTS

Company	Subsidiary Undertaking £
Cost	
At 1 March 2004 and 28 February 2005	2,679,330
Provision	
At 1 March 2004 and 28 February 2005	1,291,726
Net book value	
At 29 February 2004 and 28 February 2005	1,387,604

The investment represents the entire shareholding of Redhouse Projects Limited, a company registered in England and Wales and whose principal activity is the development and refurbishment of commercial and industrial properties.

9. DEBTORS

	2005 Group £	2004 Group £
Trade debtors	400,370	558,785
Other taxation and social security	15,035	167,514
Consortium relief receivable	35,267	-
Other debtors	1,470	20
	452,142	726,319

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

9. DEBTORS (CONTINUED)

	<i>2005</i> <i>Company</i> £	<i>2004</i> <i>Company</i> £
Amounts due from group undertakings	1,889,372	199,092
Other taxation and social security	13,174	25
	<u>1,902,546</u>	<u>199,117</u>

10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2005</i> <i>Group</i> £	<i>2004</i> <i>Group</i> £
Bank overdraft (secured – note 15)	4,943,979	-
Amounts owed to joint venture partners (note 14)	1,608,974	6,508,104
Amounts owed to related parties (note 14)	365,857	1,797,959
Trade creditors	-	720,558
Corporation tax	51	449,286
Consortium relief	15,463	25,860
Other creditors	10,316	621
Accruals	96,272	1,502,519
	<u>7,040,912</u>	<u>11,004,907</u>

	<i>2005</i> <i>Company</i> £	<i>2004</i> <i>Company</i> £
Bank overdraft (secured – note 15)	1,670,083	-
Amounts owed to joint venture partners	1,608,974	3,210,144
Amounts owed to group undertakings	7,004	-
Corporation tax	-	474,308
	<u>3,286,061</u>	<u>3,684,452</u>

The joint venture partners have provided a guarantee on bank interest payments should the company fail to meet its obligations.

The amounts owed to joint venture partners are unsecured, repayable on demand and bear interest at 2% above LIBOR.

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

11. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised:		
500 'A' Ordinary Shares of £1 each	500	500
500 'B' Ordinary Shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and partially paid:		
500 'A' Ordinary Shares of £1 each	500	500
500 'B' Ordinary Shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>

The 'A' and 'B' Ordinary Shares rank pari passu in all respects.

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Profit and Loss Account £	Total £
Group			
Balance at 1 March 2003	1,000	40,067	41,067
Profit for the year	-	118,438	118,438
Balance at 29 February 2004	<u>1,000</u>	<u>158,505</u>	<u>159,505</u>
Loss for the year	-	(58,884)	(58,884)
Balance at 28 February 2005	<u>1,000</u>	<u>99,621</u>	<u>100,621</u>

	Share Capital £	Profit and Loss Account £	Total £
Company			
Balance at 1 March 2003	1,000	(82,020)	(81,020)
Profit for the year	-	85,109	85,109
Balance at 29 February 2004	<u>1,000</u>	<u>3,089</u>	<u>4,089</u>
Profit for the year	-	-	-
Balance at 28 February 2005	<u>1,000</u>	<u>3,089</u>	<u>4,089</u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

13. CONTROLLING PARTIES

The share capital of Redhouse Holdings Limited is jointly owned by Scarborough Development Group plc (50%) and Clugston Estates Limited (50%).

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in FRS 8 and consequently has not disclosed details of transactions with companies within the Redhouse Holdings Limited Group.

During the year the Group purchased construction services from Clugston Limited, a member of the same group as Clugston Estates Limited, amounting to £635,772 (2004: £22,103,426) of which £365,857 (£753,591) is outstanding at the year end.

During the year the Group purchased management services from Clugston Estates Limited amounting to £Nil (2004: £1,500,000). At 28 February 2005 no amount was outstanding (2004: £Nil).

During the year the Group purchased management services from Scarborough Development Group plc amounting to £Nil (2004: £3,297,960). At 28 February 2005 £Nil was outstanding (2004: £3,297,960).

During the year the Group purchased accounting services from SDG Management Limited, a subsidiary company of Scarborough Development Group plc, amounting to £7,000 (2004: £7,000). At 28 February 2005 £Nil was outstanding (2004: £Nil).

During the year the Group purchased management services from SPC Group plc, a company with common directors to those of Scarborough Development Group plc, amounting to £Nil (2004: £1,797,959). At 28 February 2005 £Nil was outstanding (2004: £1,797,959).

The amounts owed to joint venture parties consists of a loan of £697,500 (2004: £1,597,500) from Scarborough Development Group plc with accrued interest of £106,987 (2004: £7,572) and a loan of £697,500 (2004: £1,597,500) from Clugston Estates Limited with accrued interest of £106,987 (2004: £7,572).

15. CONTINGENT LIABILITY

At 28 February 2005 the company has a contingent liability in relation to a guarantee on the overdraft of its subsidiary undertaking amounting to £3,273,896 (2004: Nil). The guarantee was secured on the development properties of the group. The directors do not expect this liability to crystallise.