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silvertown quays

Silvertown Quays Limited

Report and Financial Statements

30 June 2007

Registered No 03863230

Directors
D W Taylor (Chairman)
J L Jacobs
Red Cedar Investments Inc
Wakefield Investments Inc

Secretary
Z Milne

Auditors
Ernst & Young LLP
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London
SE1 2AF

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London
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Pollen House
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Directors' Report

The directors present their report and financial statements for the year ended 30 June 2007, prepared in accordance with the special provisions relating to small companies under part VII Companies Act 1985

Results and dividends

The loss for the year amounted to £384,811 (2006 - £363,899) The directors do not recommend the payment of any dividends

Principal activities and review of the business

The principal activity of the company during the year was acting as master developer of Silvertown Quays, a major mixed use regeneration site located at London's Royal Docks During the year the company negotiated a Planning S106 Agreement pursuant to obtaining a resolution to grant outline planning approval from the London Borough of Newham to develop 5,000 homes, high quality retail and leisure space and to promote the development of an international quality aquarium It has also focused on settling a wide range of legal agreements that will precede commencing development on site The scheme is being taken forward in an arrangement with Kajima Urban Development (KUD) and in partnership with the London Development Agency and the Royal Zoological Society of London The development capital for the project is currently provided by Halifax Bank of Scotland (HBOS)

The company currently relies on the provision of financing from its bankers in order to meet its liabilities as they fall due During the year, a new financing arrangement was agreed which should allow the proposed development to be funded to completion The financing is secured on the company's interest in the Silvertown Quays development and is subject to several conditions subsequent which are required to be met by the company as the development progresses Based on the current progress against the deadlines for each condition subsequent laid down by the bank, the bank considers that the facility is in default, which allows it to enforce its security and terminate the current financing arrangements The bank has indicated that its present intention however, is to work with the directors to allow the development to proceed and discussions are taking place as to the rescheduling of the conditions subsequent

Should the current financing be withdrawn, the directors will need to find alternative sources of finance to enable the development to proceed and for the company to continue as a going concern The company is actively considering alternative ways of securing financing, such as external investment

Directors and their interests

The directors during the year and their interests in the share capital of the company were as follows

	Ordinary shares of one third penny each at 30 June 2007	*At 1 July 2006*
D W Taylor	250	250
J L Jacobs	250	250
Red Cedar Investments Inc	200	200
Wakefield Investments Inc	200	200

Auditors

The company has passed an elective resolution under s386 of the Companies Act 1985 to dispense with the obligation to reappoint auditors annually

Directors' Report (continued)

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

Z Milne
Secretary
21 November 2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

The directors are responsible for preparing the Annual 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) The financial statements are required by law to 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 and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK standards have been followed, subject to any materials departures disclosed and explained in the financial statements,
- 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 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

Independent auditors' report
to the members of Silvertown Quays Limited

We have audited the company's financial statements for the year ended 30 June 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16 These financial statements have been prepared on the basis of the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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
The directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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, are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the 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

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

Independent auditors' report

to the members of Silvertown Quays Limited (continued)

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 30 June 2007 and of its loss 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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern The company's financing facilities are repayable on demand as a result of the company not achieving certain conditions subsequent laid down by the bank in connection with the progress of the Silvertown Quays development These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
21 November 2007

Profit and loss account
for the year ended 30 June 2007

	Notes	2007 £	2006 £
Turnover		-	-
Administrative expenses		348,602	330,840
Operating loss	2	(348,602)	(330,840)
Interest payable	5	(36,209)	(33,059)
Loss on ordinary activities before taxation		(384,811)	(363,899)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year		(384,811)	(363,899)

All amounts relate to continuing operations

Statement of total recognised gains and losses
There are no recognised gains or losses other than the loss of £384,811 attributable to the shareholders for the year ended 30 June 2007 (2006 - loss of £363,899)

Balance sheet
at 30 June 2007

	Notes	2007 £	2006 £
Fixed assets investments	7	2	2
Current assets			
Stocks	8	45,038,710	34,443,043
Debtors/Prepayments	9	3,250	272,690
Cash at bank		1,541,416	220,271
		46,583,376	34,936,004
Creditors: amounts falling due within one year	10	(47,670,883)	(36,338,700)
Net current liabilities		(1,087,507)	(1,402,696)
Creditors: amounts falling due more than one year	11	(700,000)	-
Net liabilities		(1,787,505)	(1,402,694)
Capital and reserves			
Called up share capital	12	3	3
Profit and loss account	13	(1,787,508)	(1,402,697)
Equity shareholders' funds		(1,787,505)	(1,402,694)

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

The financial statements were approved by the Board of Directors on 21 November 2007

D W Taylor

D W Taylor
Director

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

Notes to the financial statements
at 30 June 2007

1. Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards

Going Concern
As at 30 June 2007 the company had net liabilities of £1 8m and drawn down financing facilities of £43 8m These financing facilities are repayable on demand as a result of the company not achieving certain conditions subsequent laid down by the bank in connection with the progress of the Silvertown Quays development The directors are currently negotiating the rescheduling of these conditions subsequent

The financial statements have been prepared on the going concern basis as the directors consider that either the items listed in the notice of default issued by the bank can be rectified or the conditions renegotiated and consequently the current financing arrangements will continue Should these renegotiations prove unsuccessful, and the directors be unable to find alternative sources of finance to enable the development to proceed, the going concern basis of preparation would be inappropriate

Group accounts
The company is exempt under S 248 of the Companies Act from preparing group financial statements

Income recognition
The company's entitlement to management fees, under the terms of its development management agreement with the London Development Agency will be recognised on the receipt of actual proceeds from the sales of development land parcels

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 small

Fixed asset investments
Investments are stated at cost less any provision for impairment

Stocks
Stocks are stated at the lower of cost and net realisable value Cost includes all expenditure directly associated with the Silvertown Quays development and includes interest on borrowings incurred to meet development costs

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements
at 30 June 2007

2. Operating loss

		2007	2006
		£	£
This is stated after charging			
Auditors' remuneration	- audit services	25,000	22,082
	- taxation services	4,000	24,000
		29,000	46,082

3. Directors emoluments

	2007	2006
	£	£
Aggregate emoluments	80,000	80,000

4. Particulars of employees

	2007	2006
	£	£
Staff Costs		
Wages and Salaries	70,216	51,955
Social Security Costs	8,110	5,774
	78,326	57,729

Average monthly number of staff employed in the United Kingdom

Administration	2	2

5. Interest payable

	2007	2006
	£	£
Bank loans and overdrafts	2,554,058	2,100,938
Finance costs capitalised	(2,517,849)	(2,067,879)
	36,209	33,059

6. Tax on loss on ordinary activities

a) Tax on loss on ordinary activities
The tax charge is made up as follows

	2007	2006
	£	£
Current tax		
UK Corporation tax	-	-
Tax on loss on ordinary activities (note b)	-	-

Notes to the financial statements
at 30 June 2007

6. Tax on loss on ordinary activities (continued)

The tax (credit)/charge assessed on the loss on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

b) Factors affecting current tax charge

	2007 £	*2006* £
Loss on ordinary activities before tax	(384,811)	(363,899)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	(115,443)	(109,170)
Losses arising in the year not relievable against current tax	91,443	85,170
Accrued Directors' Fees	24,000	24,000
Total current tax (note a)	-	-

c) Factors affecting future tax charges

A deferred tax asset of £459,872 (2006 £359,219) relating to allowable trading losses has not been recognised because, in the opinion of the directors, there is not sufficient evidence presently available that income will be generated to support recovery of this asset

From financial year 2008 the UK corporation tax will reduce from 30% to 28% The unrecognised deferred tax asset at 30 June is measured at 28%

7. Investments

	2007 £	*2006* £
Cost		
1 July 2006	2	1
Additions	-	1
30 June 2007	2	2

The investments reflected in 2007 represent 100 per cent of the ordinary share capital of Silvertown Quays Management Company Limited and Silvertown Quays (Parcel O) Limited The companies' accounting reference dates are both 30 June Both companies are incorporated in England & Wales and were dormant at the year end

Neither company has traded and the net assets of each company are £1

Notes to the financial statements
at 30 June 2007

8. Stocks

	2007 £	2006 £
Work in progress	45,038,710	34,443,043

Work in progress comprises costs incurred to date, including capitalised interest of £6,539,872 (2006 £4,022,023), on the Silvertown Quays development

9. Debtors

	2007 £	2006 £
Other debtors/prepayments	3,250	272,690

10. Creditors: amounts falling due within one year

	2007 £	2006 £
Bank loans	43,777,931	30,030,311
Trade creditors	1,384,621	2,267,138
Accruals	2,436,819	3,994,072
Other taxation and social security	26,512	2,179
Other creditors	45,000	45,000
	47,670,883	36,338,700

The company's existing funding facilities, which were agreed on 27 April 2007 total £119m Facility A totals £65m, Facility B totals £40m and is not currently drawn down, and Facility C is a £14m performance bond (see note 14) All facilities are secured on the company's interest in the Silvertown Quays development (see note 8)

Interest of £6,539,872 has been capitalised and therefore included in the outstanding loan balance as at 30 June 2007 The facility is subject to a number of conditions subsequent which have the potential to attract significant redemption penalties should these conditions not be met Based on the current progress against the deadlines for each condition subsequent laid down by the bank, the bank considers that the facility is in default and is therefore repayable on demand, thus triggering its entitlement to these penalties (see note 16)

Notes to the financial statements
at 30 June 2007

11. Creditors: amounts falling due after more than one year

	2007	*2006*
	£	*£*
Accruals	700,000	-

12. Share capital

		Authorised
	2007	*2006*
	£	*£*
300,000 ordinary shares of one third of one penny each	1,000	1,000
	1,000	1,000

				Allotted and called up
		2007		*2006*
	No	*£*	*No*	*£*
1,000 ordinary shares of one third of one penny each fully paid	1,000	3	1,000	3
	1,000	3	1,000	3

13. Reconciliation of shareholders' deficit and movement on reserves

	Share capital	*Profit and loss account*	*Total share-holders' deficit*
	£	*£*	*£*
At 1 July 2006	3	(1,402,697)	(1,402,694)
Loss for the year	-	(384,811)	(384,811)
At 30 June 2007	3	(1,787,508)	(1,787,505)

Notes to the financial statements
at 30 June 2007

14. Related party transactions and transactions involving directors

On 28 October 2002, the company signed a development agreement with the London Development Agency in connection with a regeneration project at Silvertown in the London Borough of Newham At the same time KUD Limited was appointed Project Manager in connection with the development Two of the Silvertown Quays Limited's directors, Red Cedar Investments Inc and Wakefield Investments Inc are related parties of KUD Limited

In the year to 30 June 2007, payments were made in the ordinary course of business to

				Amounts Outstanding at 30 June 2007
DTP Limited	-	£421,774	(2006 – £211,753)	£47,220
Propjack Management Limited	-	£ 24,150	(2006 – £ 34,059)	£ 3,450
Landlegend Limited	-	£ 48,511	(2006 – £ 32,552)	£ 4,936

The amounts outstanding are included in trade creditors and accruals

DTP Limited is owned by D W Taylor and the above incurred expenses relate to time based consultancy costs and related expenses of staff employed by DTP Limited

Propjack Management Limited is owned by J L Jacobs and the above incurred expenses relate to time based consultancy costs and related expenses of staff employed by Propjack Management Limited

Landlegend Limited is owned by D W Taylor and the above incurred expenses relate to accommodation costs for consultants on the project

15. Capital commitments and contingent liabilities

On 3 July 2003, the company's assets became secured in respect of its obligations under its bank facilities and also in respect of certain obligations to the London Development Agency

The company is committed to make further fee payments to KUD Limited which, at the balance sheet date amounted to £3,000,000 (2006 - £2,939,888) These payments are contingent upon the approval of the Aquarium Reserved Matters Application and the Aquarium Satisfaction Date (when all aquarium preconditions have been satisfied)

The company has also agreed with the London Borough of Newham and the London Development Agency to provide infrastructure and amenities ("S106 obligations") which are currently estimated to cost a total of £25 5m In addition, the company has arranged bonding facilities of £14m in connection with its S106 obligations should the company be unable to fulfil them by reference to its existing financial resources

16. Post balance sheet events

Subsequent to year end, as a result of the company not achieving certain conditions subsequent in relation to its funding facilities, a redemption penalty of £2 million has been triggered which could be enforced by the bank The bank's present intention is not to charge the redemption penalty, but it reserves its right to do so in future which could result in an additional liability for the company