

Company Registration No: 2134888

TERRACE HILL PROPERTIES LIMITED

FINANCIAL STATEMENTS

31 JULY 1999



TERRACE HILL PROPERTIES LIMITED

COMPANY INFORMATION

DIRECTORS

N J C Turnbull
H Llewellyn

SECRETARY

T Walsh

REGISTERED OFFICE

1 Portland Place
London W1N 3AA

REGISTERED AUDITORS

Thompson Taraz & Co
Chartered Accountants
3 New Burlington Mews
London W1R 8QA

TERRACE HILL PROPERTIES LIMITED**REPORT OF THE DIRECTORS**

The Directors submit their report and financial statements for the year ended 31 July 1999.

RESULTS

The profit and loss account shows a profit for the year after taxation of £140,393 (1998 : £665,445). The Directors have not recommended the payment of a dividend.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is that of a property investment company. The Directors do not envisage any major changes in the company's activities.

FIXED ASSETS

The movements on fixed assets are shown in note 7 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the period, together with their interests in the share capital at 31 July 1999 and 1998 were as follows :

Ordinary Shares of £1 each

N J C Turnbull	-
D A Prowse (resigned 15 June 1999)	-
H Llewellyn	-

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 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 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.

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.

TERRACE HILL PROPERTIES LIMITED

REPORT OF THE DIRECTORS (continued)

THE MILLENIUM

The company has not suffered any adverse problems as a result of the last two digits of the year rolling over to "00" either internally or from third party failures.

As an ongoing measure, the Directors are regularly reviewing and updating the company's computer systems and have been ensuring for some time that all systems or modifications are "Year 2000 compliant".

REGISTERED AUDITORS

Thompson Taraz & Co Chartered Accountants have indicated their willingness to continue in office and a resolution to re-appoint them will be put to the members at the Annual General Meeting.

On behalf of the Board



T Walsh
Secretary

Date : 23 March 2000

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
TERRACE HILL PROPERTIES LIMITED

We have audited the financial statements on pages 5 to 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF 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 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 the 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 as at 31 July 1999 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Thompson Taraz & Co

Thompson Taraz & Co
Chartered Accountants
Registered Auditors
3 New Burlington Mews
London W1R 8QA

Date : 23 March 2000

TERRACE HILL PROPERTIES LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 July 1999

	<u>Note</u>	<u>Year ended</u> <u>31 July 1999</u> <u>£</u>	<u>Year ended</u> <u>31 July 1998</u> <u>£</u>
TURNOVER	2	455,155	658,188
Cost of sales		(122,111)	(84,964)
GROSS PROFIT		333,044	573,224
Administrative expenses		(174,068)	(152,224)
Reversal of previous property write down below cost		-	145,000
OPERATING PROFIT		158,976	566,000
Profit on sale of investment properties		127,633	312,546
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		286,609	878,546
Investment income	3	4,681	9,747
Interest payable	4	(150,897)	(222,848)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	140,393	665,445
Taxation	6	-	-
RETAINED PROFIT FOR THE PERIOD	13	<u>£140,393</u>	<u>£665,445</u>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Profit for the period	13	140,393	665,445
Unrealised gain on revaluation of properties	12	285,129	495,840
TOTAL RECOGNISED GAINS FOR THE PERIOD		<u>£425,522</u>	<u>£1,161,285</u>

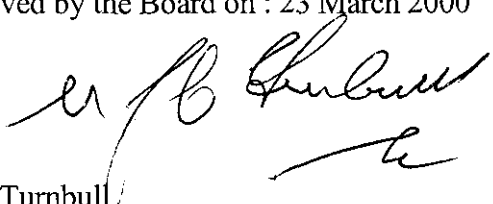
All the activities of the company during the period are continuing activities.

The accompanying notes form an integral part of this Profit and Loss Account and Statement of recognised gains and losses.

TERRACE HILL PROPERTIES LIMITED**BALANCE SHEET****at 31 July 1999**

	<u>Note</u>	<u>31 July 1999</u> <u>£</u>	<u>31 July 1998</u> <u>£</u>
FIXED ASSETS			
Investment properties	7	3,803,033	4,463,033
CURRENT ASSETS			
Debtors	8	57,786	76,767
Cash at bank		32,752	31,106
		90,538	107,873
CREDITORS			
Amounts falling due within one year	9	(332,868)	(1,467,004)
NET CURRENT LIABILITIES		(242,330)	(1,359,131)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,560,703	3,103,902
CREDITORS			
Amounts falling due after more than one year	10	(1,223,484)	(1,192,205)
NET ASSETS		<u>£2,337,219</u>	<u>£1,911,697</u>
CAPITAL AND RESERVES			
Called-up share capital	11	1,800,100	1,800,100
Revaluation reserve	12	780,969	495,840
Profit and loss account	13	(243,850)	(384,243)
EQUITY SHAREHOLDERS' FUNDS	14	<u>£2,337,219</u>	<u>£1,911,697</u>

Approved by the Board on : 23 March 2000


 N J C Turnbull
 Director

The accompanying notes form an integral part of this Balance Sheet

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1999**1 ACCOUNTING POLICIES****a) BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain properties, and in accordance with applicable accounting standards.

b) TURNOVER

Turnover represents rents receivable in respect of let property and sundry income, excluding Value Added Tax, and arises solely within the United Kingdom. Where a rent free period is provided at the outset of a letting, rents are recognised as income on a straight line basis over the non-cancellable term of the lease.

c) CASH FLOW STATEMENT

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as the company is a wholly-owned subsidiary.

d) INVESTMENT PROPERTIES

The Directors revalue all completed investment properties annually, to reflect current market value for existing use. Changes in the value of investment properties are disclosed as movements on revaluation reserve, except for permanent diminutions which are charged to the profit and loss account.

No depreciation or amortisation is provided in respect of freehold investment property in accordance with Statement of Standard Accounting Practice 19 (revised). The Directors consider that this accounting policy results in the financial statements giving a true and fair view.

Investment property sales are reflected in the accounts if an unconditional contract is exchanged by the balance sheet date the sale has been completed before the date of approval of the accounts.

Profits and losses are based on the difference between proceeds and net carrying amount, whether at valuation or at historical cost.

e) DEFERRED TAXATION

Deferred taxation, representing the effect of timing differences between recognition of items for accounts and tax purposes, is provided for to the extent that it is probable that a liability will crystallise.

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1999

2	TURNOVER	<u>Year ended</u> <u>31 July 1999</u> <u>£</u>	<u>Year ended</u> <u>31 July 1998</u> <u>£</u>
	Rents receivable	£455,155	£658,188
3	INVESTMENT INCOME	<u>Year ended</u> <u>31 July 1999</u> <u>£</u>	<u>Year ended</u> <u>31 July 1998</u> <u>£</u>
	Income from current asset listed investments	-	2,375
	Bank interest receivable	4,681	2,447
	Profit on sale of current asset investments	-	4,925
		£4,681	£9,747
4	INTEREST PAYABLE	<u>Year ended</u> <u>31 July 1999</u> <u>£</u>	<u>Year ended</u> <u>31 July 1998</u> <u>£</u>
	Interest on loans wholly repayable within five years	-	222,473
	Interest on loans repayable after more than five years	114,202	-
	Interest on inter-company loans	36,695	-
	Other interest	-	375
		£150,897	£222,848
5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>Year ended</u> <u>31 July 1999</u> <u>£</u>	<u>Year ended</u> <u>31 July 1998</u> <u>£</u>
	Profit on ordinary activities before taxation is stated after charging :		
	Bank charges	£5,038	£28
	Auditors' remuneration	£2,000	£2,000
	Operating lease rentals - land & buildings	£20,500	£27,500

No Directors received any emoluments in respect of their services to the company (1998 - £Nil). No other persons were employed by the company during the year (1998 : None).

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1999**6 TAXATION**

	<u>Year ended</u> <u>31 July 1999</u>	<u>Year ended</u> <u>31 July 1998</u>
	<u>£</u>	<u>£</u>
UK Corporation Tax at 30.66% (1998 : 31%)	-	78,809
Benefit of losses claimed under group relief	-	(78,809)
	<u>£-</u>	<u>£ -</u>

There is no charge to corporation tax as the company has made a loss for tax purposes.

7 INVESTMENT PROPERTIES

	<u>Long</u> <u>Leasehold</u>	<u>Freehold</u>	<u>TOTAL</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Balance brought forward	2,103,033	2,360,000	4,463,033
Additions	-	20,819	20,819
Disposals	-	(965,948)	(965,948)
Revaluations (Note 12)	-	285,129	285,129
Balance carried forward	<u>£2,103,033</u>	<u>£1,700,000</u>	<u>£3,803,033</u>
Historical cost carried forward 31 July 1999	<u>£1,657,491</u>	<u>£1,364,573</u>	<u>£3,022,064</u>
Historical cost carried forward 31 July 1998	<u>£1,657,491</u>	<u>£2,531,593</u>	<u>£4,189,084</u>

Investment property includes £Nil (1998 : £Nil) of interest which has been capitalised.

Investment properties were valued on an open market value for existing use basis on 31 July 1999 by the Directors.

No depreciation is provided in respect of investment properties, as stated in the accounting policy note 1(d). The Directors consider that this policy results in the financial statements showing a true and fair view as depreciation is reflected in the open market valuation of these properties and cannot be separately quantified.

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1999

8 DEBTORS	<u>31 July 1999</u>	<u>31 July 1998</u>
	<u>£</u>	<u>£</u>
Due within one year :		
Trade debtors	25,755	45,959
Amounts due to parent undertaking	2,575	-
Other debtors	11,554	11,554
Prepayments and accrued income	17,902	19,254
	<u>£57,786</u>	<u>£76,767</u>

9 CREDITORS	<u>31 July 1999</u>	<u>31 July 1998</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year :		
Bank loans and overdrafts	185,150	472,014
Trade creditors	7,851	23,759
Amounts due to parent undertaking	-	758,961
Other creditors including taxation and social security	18,729	30,440
Accruals and deferred income	121,138	181,830
	<u>£332,868</u>	<u>£1,467,004</u>

The bank loans are secured by legal charges on investment properties and are further secured by collateral owned by the Adair Trusts (note 16). Interest is payable at various commercial rates.

10 CREDITORS	<u>31 July 1999</u>	<u>31 July 1998</u>
	<u>£</u>	<u>£</u>
Amounts falling due after more than one year :		
Secured creditors (See note 9)		
Bank loans repayable 2-5 years by installments	738,000	1,127,621
Bank loans repayable over 5 years by installments	416,628	-
Accruals	68,856	64,584
	<u>£1,223,484</u>	<u>£1,192,205</u>

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1999

11 SHARE CAPITAL	31 July 1999	31 July 1998
	<u>£</u>	<u>£</u>
Authorised		
5,000,000 Ordinary shares of £1 each	£5,000,000	£5,000,000
	<u></u>	<u></u>
Allotted, called-up and fully paid		
1,800,100 Ordinary shares of £1 each	£1,800,100	£1,800,100
	<u></u>	<u></u>
12 REVALUATION RESERVE	31 July 1999	31 July 1998
	<u>£</u>	<u>£</u>
Balance brought forward	495,840	-
Additions	285,129	495,840
	<u></u>	<u></u>
Balance carried forward	£780,969	£495,840
	<u></u>	<u></u>
The revaluation reserve is represented by the revaluation of investment properties.		
13 PROFIT AND LOSS ACCOUNT	Year ended	Year ended
	31 July 1999	31 July 1998
	<u>£</u>	<u>£</u>
Balance brought forward	(384,243)	(1,049,688)
Retained profit for the year	140,393	665,445
	<u></u>	<u></u>
Balance carried forward	£(243,850)	£(384,243)
	<u></u>	<u></u>
14 MOVEMENTS IN SHAREHOLDERS' FUNDS	Year ended	Year ended
	31 July 1999	31 July 1998
	<u>£</u>	<u>£</u>
Profit for the period	140,393	665,445
Other recognised gains	285,129	495,840
	<u></u>	<u></u>
Increase in shareholders' funds	425,522	1,161,285
Opening shareholders' funds	1,911,697	750,412
	<u></u>	<u></u>
Closing shareholders' funds	£2,337,219	£1,911,697
	<u></u>	<u></u>

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1999**15 GUARANTEES AND FINANCIAL COMMITMENTS**

The company has entered into operating leases for land and buildings which expire as follows :

	<u>31 July 1999</u>	<u>31 July 1998</u>
	<u>£</u>	<u>£</u>
Between one and two years	-	£27,500
within two to twenty five years	£68,020	£47,520
	<u> </u>	<u> </u>

The company is a party to a guarantee arrangement securing the bank overdraft and loans of fellow subsidiaries.

16 RELATED PARTY TRANSACTIONS

The collateral referred to in note 9 is pledged by the Adair Trusts.

Mr R F M Adair is a director of the ultimate parent company which is controlled by life interest trusts established for the benefit of Mr Adair.

17 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Terrace Hill Limited, a company incorporated in England and Wales.

The ultimate parent company is Westview Group Limited, a company incorporated in England and Wales.

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 Westview Group Limited.