

TERRACE HILL PROPERTIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2001



Company Registration Number 2134888

TERRACE HILL PROPERTIES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2001

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TERRACE HILL PROPERTIES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

N J C Turnbull
H Llewellyn
R E Lane

Company secretary

T Walsh

Registered office

1 Portland Place
London
W1B 1PN

Auditors

Thompson Taraz
Chartered Accountants
& Registered Auditors
3 New Burlington Mews
Mayfair
London
W1B 4QB

TERRACE HILL PROPERTIES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 JULY 2001

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 July 2001.

PRINCIPAL ACTIVITIES

The company's principal activity is that of a property investment company.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

N J C Turnbull
H Llewellyn
R E Lane

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

DIRECTORS' RESPONSIBILITIES

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 at the end of the year and of the profit or loss for the year then ended.

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.

AUDITORS

A resolution to re-appoint Thompson Taraz 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 PROPERTIES LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JULY 2001

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


T WALSH
Company Secretary

Approved by the directors on 28 February 2002

TERRACE HILL PROPERTIES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 JULY 2001

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company 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.

BASIS OF AUDIT OPINION


We conducted our audit in accordance with United Kingdom 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 information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2001 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

3 New Burlington Mews
Mayfair
London
W1B 4QB


THOMPSON TARAZ
Chartered Accountants
& Registered Auditors

28 February 2002

TERRACE HILL PROPERTIES LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 JULY 2001**

| | Note | 2001 £ | 2000 £ |
|--|----------|-----------------|-----------------|
| TURNOVER | | 120,257 | 316,420 |
| Cost of sales | | (89,730) | (12,074) |
| GROSS PROFIT | | 30,527 | 304,346 |
| Administrative expenses | | (121,051) | (95,013) |
| OPERATING (LOSS)/PROFIT | 2 | (90,524) | 209,333 |
| (Loss)/Profit on disposal of fixed assets | 3 | (55,000) | 310,275 |
| | | (145,524) | 519,608 |
| Interest receivable | | 814,688 | 68,316 |
| Interest payable | | (106,788) | (105,453) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 562,376 | 482,471 |
| Tax on profit on ordinary activities | | - | - |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 562,376 | 482,471 |
| Equity dividends paid | | (562,376) | (574,048) |
| LOSS FOR THE FINANCIAL YEAR | | - | (91,577) |

All of the activities of the company are classed as continuing.

TERRACE HILL PROPERTIES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 JULY 2001

| | 2001 £ | 2000 £ |
|---|------------------|----------------|
| Profit for the financial year attributable to the shareholders | 562,376 | 482,471 |
| Unrealised profit on revaluation of properties | 731,477 | 221,092 |
| Total gains and losses recognised since the last annual report | <u>1,293,853</u> | <u>703,563</u> |

TERRACE HILL PROPERTIES LIMITED

BALANCE SHEET

31 JULY 2001

| | Note | 2001 £ | 2000 £ |
|--|------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 4 | 4,590,048 | 3,626,299 |
| CURRENT ASSETS | | | |
| Debtors | 5 | 11,043,300 | 2,013,999 |
| Cash at bank | | - | 8,145 |
| | | <u>11,043,300</u> | <u>2,022,144</u> |
| CREDITORS: Amounts falling due within one year | 6 | <u>(12,408,616)</u> | <u>(2,111,992)</u> |
| NET CURRENT LIABILITIES | | <u>(1,365,316)</u> | <u>(89,848)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,224,732</u> | <u>3,536,451</u> |
| CREDITORS: Amounts falling due after more than one year | 7 | <u>(26,522)</u> | <u>(1,069,717)</u> |
| | | <u><u>3,198,210</u></u> | <u><u>2,466,734</u></u> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 11 | 1,800,100 | 1,800,100 |
| Revaluation reserve | 12 | 1,398,110 | 666,634 |
| SHAREHOLDERS' FUNDS | 13 | <u><u>3,198,210</u></u> | <u><u>2,466,734</u></u> |

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

These financial statements were approved by the directors on the 28 February 2002 and are signed on their behalf by



N J C TURNBULL

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 JULY 2001****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) from including a cash flow statement in the financial statements on the grounds that the company is small.

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.

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 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 and 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 historic cost.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

TERRACE HILL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JULY 2001

2. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

| | 2001 £ | 2000 £ |
|----------------------------|--------------|--------------|
| Directors' emoluments | - | - |
| Amortisation of loan costs | 17,800 | - |
| Auditors' fees | <u>2,500</u> | <u>2,500</u> |

3. (LOSS)/PROFIT ON DISPOSAL OF FIXED ASSETS

| | 2001 £ | 2000 £ |
|---|-----------------|----------------|
| (Loss)/Profit on disposal of fixed assets | <u>(55,000)</u> | <u>310,275</u> |

4. TANGIBLE FIXED ASSETS

| | Freehold & Leasehold Property £ |
|--------------------------|---------------------------------------|
| COST OR VALUATION | |
| At 1 August 2000 | 3,626,299 |
| Additions | 762,272 |
| Disposals | (530,000) |
| Revaluation | 731,477 |
| At 31 July 2001 | <u>4,590,048</u> |
| DEPRECIATION | <u>-</u> |
| NET BOOK VALUE | |
| At 31 July 2001 | <u>4,590,048</u> |
| At 31 July 2000 | <u>3,626,299</u> |

In respect of assets stated at valuations, the comparable historical cost and depreciation values are as follows:

| | 2001 £ | 2000 £ |
|--|------------------|------------------|
| NBV of revalued tangible fixed assets: | | |
| Historical cost | <u>3,191,938</u> | <u>2,959,666</u> |

Investment properties were valued on an open market value for existing use basis by the directors on 31 July 2001.

No depreciation is provided in respect of investment properties, as stated in the accounting policies. 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
YEAR ENDED 31 JULY 2001

5. DEBTORS

| | 2001 | 2000 |
|------------------------------------|-------------------|------------------|
| | £ | £ |
| Trade debtors | 475,464 | 13,912 |
| Amounts owed by group undertakings | 10,535,214 | 1,989,438 |
| Other debtors | 32,622 | 10,649 |
| | <u>11,043,300</u> | <u>2,013,999</u> |

6. CREDITORS: Amounts falling due within one year

| | 2001 | 2000 |
|------------------------------------|-------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 2,111,833 | 233,832 |
| Trade creditors | 66,337 | 23,925 |
| Amounts owed to group undertakings | 10,215,703 | 1,559,175 |
| Accruals and deferred income | 14,743 | 295,060 |
| | <u>12,408,616</u> | <u>2,111,992</u> |

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

| | 2001 | 2000 |
|------------------------------|---------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | - | 1,054,430 |
| Accruals and deferred income | 26,522 | 15,287 |
| | <u>26,522</u> | <u>1,069,717</u> |

8. BORROWINGS

| | 2001 | 2000 |
|---|------------------|------------------|
| | £ | £ |
| Bank loans and overdraft | | |
| Due within one year | 2,147,435 | 233,832 |
| Due greater than one year less than two years | - | 1,054,430 |
| Unamortised finance costs | (35,602) | - |
| | <u>2,111,833</u> | <u>1,288,262</u> |

The bank borrowings are secured by legal charges the investment properties. Interest is payable at 1.5% over bank base rate.

TERRACE HILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2001

9. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2001 the company had annual commitments under non-cancellable operating leases as set out below.

| | Land & Buildings | |
|--------------------------------|------------------|---------------|
| | 2001 | 2000 |
| | £ | £ |
| Operating leases which expire: | | |
| After more than 5 years | <u>57,770</u> | <u>57,770</u> |

10. 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 Westview Group Limited.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

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 Limited.

11. SHARE CAPITAL

Authorised share capital:

| | 2001 | 2000 |
|---|------------------|------------------|
| | £ | £ |
| 5,000,000 Ordinary shares of £1.00 each | <u>5,000,000</u> | <u>5,000,000</u> |

Allotted, called up and fully paid:

| | 2001 | 2000 |
|------------------------|------------------|------------------|
| | £ | £ |
| Ordinary share capital | <u>1,800,100</u> | <u>1,800,100</u> |

12. REVALUATION RESERVE

| | 2001 | 2000 |
|--|------------------|----------------|
| | £ | £ |
| Balance brought forward | 666,634 | 780,969 |
| Revaluation of fixed assets | 731,476 | 221,092 |
| Transfer to the Profit and Loss Account on realisation | - | (335,427) |
| Balance carried forward | <u>1,398,110</u> | <u>666,634</u> |

TERRACE HILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2001

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2001 £ | 2000 £ |
|---------------------------------------|-----------|-----------|
| Profit for the financial year | 562,376 | 482,471 |
| Dividends | (562,376) | (574,048) |
| | - | (91,577) |
| Other net recognised gains and losses | 731,476 | 221,092 |
| Net addition to funds | 731,476 | 129,515 |
| Opening shareholders' equity funds | 2,466,734 | 2,337,219 |
| Closing shareholders' equity funds | 3,198,210 | 2,466,734 |

14. ULTIMATE PARENT COMPANY

The immediate parent company is Terrace Hill Limited. The ultimate parent company is Westview Group Limited. Both companies are registered in England and Wales.