

TERRACE HILL PROPERTIES LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 OCTOBER 2002

Company Registration Number 2134888



TERRACE HILL PROPERTIES LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

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TERRACE HILL PROPERTIES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

N J C Turnbull
R E Lane
M A Kelly
D R Macdonald

Company secretary

Park Circus (Secretaries) Limited

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

PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

The directors have pleasure in presenting their report and the financial statements of the company for the period from 1 August 2001 to 31 October 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have recommended the following dividends:

	Period to 31 October 2002	Year to 31 July 2001
	£	£
Dividends paid on ordinary shares	<u>1,700,933</u>	<u>562,376</u>

DIRECTORS

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

N J C Turnbull
H Llewellyn
R E Lane

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

M A Kelly was appointed as a director on 29 April 2003.
D R Macdonald was appointed as a director on 29 April 2003.
H Llewellyn retired as a director on 17 January 2003.

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 period and of the profit or loss for the period then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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.

TERRACE HILL PROPERTIES LIMITED

THE DIRECTORS' REPORT *(continued)*

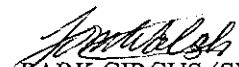
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

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.

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 24 June 2003

TERRACE HILL PROPERTIES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

We have audited the financial statements on pages 5 to 13 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 pages 8 to 9.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 on page 2.

Our responsibility is 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. Our responsibilities do not extend to any other information.

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 October 2002 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

3 New Burlington Mews
Mayfair
London
W1B 4QB

24 June 2003



THOMPSON TARAZ
Chartered Accountants
& Registered Auditors

TERRACE HILL PROPERTIES LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

	Note	31 Oct 02 £	Year to 31 Jul 01 £
TURNOVER	2	83,998	120,257
Cost of sales		(134,001)	(83,791)
GROSS (LOSS)/PROFIT		(50,003)	36,466
Administrative expenses		(338,989)	(126,990)
OPERATING LOSS	3	(388,992)	(90,524)
Loss on disposal of fixed assets	5	(122,704)	(55,000)
		(511,696)	(145,524)
Interest receivable		985,296	814,688
Interest payable	6	(170,777)	(106,788)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		302,823	562,376
Tax on profit on ordinary activities	7	—	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		302,823	562,376
Dividends	8	(1,700,933)	(562,376)
LOSS FOR THE FINANCIAL PERIOD		(1,398,110)	—

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

The notes on pages 8 to 13 form part of these financial statements.

TERRACE HILL PROPERTIES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

	31 Oct 02 £	Year to 31 Jul 01 £
Profit for the financial period attributable to the shareholders	302,823	562,376
Unrealised profit on revaluation of certain fixed assets	<u>208,268</u>	<u>731,477</u>
Total gains and losses recognised since the last annual report	<u>511,091</u>	<u>1,293,853</u>

The notes on pages 8 to 13 form part of these financial statements.

TERRACE HILL PROPERTIES LIMITED

BALANCE SHEET

31 OCTOBER 2002

	Note	31 Oct 02 £	31 Jul 01 £
FIXED ASSETS			
Tangible assets	9	1,003,210	<u>4,590,048</u>
CURRENT ASSETS			
Debtors	10	21,298,322	11,043,300
CREDITORS: Amounts falling due within one year	11	<u>20,274,640</u>	<u>12,408,616</u>
NET CURRENT ASSETS/(LIABILITIES)		1,023,682	(1,365,316)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,026,892	3,224,732
CREDITORS: Amounts falling due after more than one year	12	<u>18,525</u>	<u>26,522</u>
		2,008,367	3,198,210
CAPITAL AND RESERVES			
Called-up equity share capital	17	1,800,100	1,800,100
Revaluation reserve	18	208,267	1,398,110
SHAREHOLDERS' FUNDS	19	<u>2,008,367</u>	<u>3,198,210</u>

These financial statements were approved by the directors on the 24 June 2003 and are signed on their behalf by:

N J C TURNBULL

The notes on pages 8 to 13 form part of these financial statements.

TERRACE HILL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

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, and in accordance with applicable accounting standards.

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 wholly owned and its parent publishes a consolidated cash flow statement.

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.

TERRACE HILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax 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 a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

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.

Cost of raising finance

In accordance with Financial Reporting Standard No 4 costs incurred in raising finance are netted off against the loan proceeds and amortised over the life of the loan.

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:

	31 Oct 02	Year to 31 Jul 01
	£	£
United Kingdom	<u>83,998</u>	<u>120,257</u>

3. OPERATING LOSS

Operating loss is stated after charging:

	31 Oct 02	Year to 31 Jul 01
	£	£
Directors' emoluments	—	—
Amortisation	42,867	17,800
Auditors' remuneration - as auditors	<u>3,500</u>	<u>2,500</u>

4. PARTICULARS OF EMPLOYEES

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

TERRACE HILL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

5. LOSS ON DISPOSAL OF FIXED ASSETS

	31 Oct 02	Year to 31 Jul 01
	£	£
Loss on disposal of fixed assets	<u>(122,704)</u>	<u>(55,000)</u>

6. INTEREST PAYABLE

	31 Oct 02	Year to 31 Jul 01
	£	£
Interest payable on bank borrowing	170,766	106,788
Other similar charges payable	11	-
	<u>170,777</u>	<u>106,788</u>

Included in interest payable is interest paid to group undertakings amounting to £nil (2001:£48,089)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 20% (2001 - 20%).

	31 Oct 02	Year to 31 Jul 01
	£	£
Profit on ordinary activities before taxation	<u>302,823</u>	<u>562,376</u>
Profit/(loss) on ordinary activities by rate of tax	60,565	112,475
Group Relief	<u>(60,565)</u>	<u>(112,475)</u>
Total current tax	<u>-</u>	<u>-</u>

8. DIVIDENDS

The following dividends have been paid in respect of the period:

	31 Oct 02	Year to 31 Jul 01
	£	£
Dividend paid on ordinary shares	<u>1,700,933</u>	<u>562,376</u>

TERRACE HILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

9. TANGIBLE FIXED ASSETS

	Investment Property £
COST OR VALUATION	
At 1 August 2001	4,590,048
Additions	418,464
Disposals	(4,213,570)
Revaluation	208,268
At 31 October 2002	<u><u>1,003,210</u></u>
DEPRECIATION	<u><u>-</u></u>
NET BOOK VALUE	
At 31 October 2002	<u><u>1,003,210</u></u>
At 31 July 2001	<u><u>4,590,048</u></u>

Investment properties were valued on an open market value for existing use basis by the directors on 31 October 2002.

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.

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

	2002 £	2001 £
Historical cost	<u><u>794,943</u></u>	<u><u>3,191,938</u></u>

10. DEBTORS

	31 Oct 02 £	31 Jul 01 £
Trade debtors	4,154,928	475,464
Amounts owed by group undertakings	17,123,717	10,535,214
Prepayments and accrued income	19,677	32,622
	<u><u>21,298,322</u></u>	<u><u>11,043,300</u></u>

11. CREDITORS: Amounts falling due within one year

	31 Oct 02 £	31 Jul 01 £
Bank loans and overdrafts	2,936,007	2,111,833
Trade creditors	84,816	66,337
Amounts owed to group undertakings	17,154,851	10,215,703
Accruals and deferred income	98,966	14,743
	<u><u>20,274,640</u></u>	<u><u>12,408,616</u></u>

TERRACE HILL PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

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

	31 Oct 02	31 Jul 01
	£	£
Accruals and deferred income	<u>18,525</u>	<u>26,522</u>

13. BORROWINGS

	31 Oct 02	31 Jul 01
	£	£
Bank loans and overdraft		
Due within one year	2,880,000	2,147,435
Unamortised finance costs	(7,265)	(35,602)
	<u>2,872,735</u>	<u>2,111,833</u>

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

14. COMMITMENTS UNDER OPERATING LEASES

At 31 October 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	31 Oct 02	31 Jul 01
	£	£
Operating leases which expire:		
After more than 5 years	<u>47,520</u>	<u>57,770</u>

15. CONTINGENCIES

The company is party to a cross-corporate guarantee arrangement securing the bank overdrafts of certain fellow subsidiaries.

16. RELATED PARTY TRANSACTIONS

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.

17. SHARE CAPITAL

Authorised share capital:

	31 Oct 02	31 Jul 01
	£	£
5,000,000 Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>

Allotted, called up and fully paid:

	31 Oct 02		31 Jul 01
	No	£	No
			£
Ordinary shares of £1 each	<u>1,800,100</u>	<u>1,800,100</u>	<u>1,800,100</u>

TERRACE HILL PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 AUGUST 2001 TO 31 OCTOBER 2002

18. REVALUATION RESERVE

	31 Oct 02	Year to 31 Jul 01
	£	£
Balance brought forward	1,398,110	666,634
Revaluation of fixed assets	208,267	731,476
Transfer to the Profit and Loss Account on realisation	(1,398,110)	—
Balance carried forward	<u>208,267</u>	<u>1,398,110</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Oct 02	31 Jul 01
	£	£
Profit for the financial period	302,823	562,376
Dividends	(1,700,933)	(562,376)
	<u>(1,398,110)</u>	<u>—</u>
Other net recognised gains and losses	208,267	731,476
	<u>(1,189,843)</u>	<u>731,476</u>
Transfer from revaluation reserve	1,398,110	—
Transfer to profit and loss account	(1,398,110)	—
Net (reduction)/addition to funds	<u>(1,189,843)</u>	<u>731,476</u>
Opening shareholders' equity funds	3,198,210	2,466,734
Closing shareholders' equity funds	<u>2,008,367</u>	<u>3,198,210</u>

20. ULTIMATE PARENT COMPANY

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