

Company Registration No: 2134888

TERRACE HILL PROPERTIES LIMITED

FINANCIAL STATEMENTS

31 JULY 1998



TERRACE HILL PROPERTIES LIMITED

COMPANY INFORMATION

DIRECTORS

N J C Turnbull
D A Prowse
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 1998.

RESULTS

The profit and loss account shows a profit for the year after taxation of £665,445 (1997 : £245,142). 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 1998 and 1997 were as follows :

Ordinary Shares of £1 each

N J C Turnbull	-
D A Prowse	-
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 period to the Year 2000 presents companies using any form of electronic system incorporating a calendar (from financial and operating software to security systems) with the opportunity to ensure that they are not vulnerable to a potentially significant problem to the business environment. Recent publicity reinforces the need for the business community to act to ensure that the systems will continue to function when the last two digits of the year roll over to "00".

The Directors have reviewed the company's system as a whole and evaluated the need for an external review of these. However, in the Directors' opinion this was not necessary, and the company is currently undertaking an internal review of all the systems presently in place, and expect that any modifications or additions required will be identified in ample time to ensure full implementation prior to the Millennium. As part of this review, the Directors will also be assessing any potential impact on the company from third party failures to respond to the year 2000. While these are in no way under the Directors control, the Directors are attempting to ensure that the possibility of impact is understood, and that any impact on the company will therefore be minimised.

As an ongoing measure, the Directors also regularly review and update the company's computer systems and have been ensuring for some time that all systems or modifications are "Year 2000 compliant". Wherever possible, standard software houses, who are committed to delivering in good time whatever Year 2000 modifications to their software are necessary, are utilised.

Preparation for the Millennium will require some additional expenditure to be incurred by the company. However, this is not expected to be material, and the majority of the costs are merely an acceleration of the spending that would have otherwise taken place at a later date.

REGISTERED AUDITORS

Following the resignation of Saffery Champness Chartered Accountants as auditors, Thompson Taraz & Co Chartered Accountants were appointed to fill the casual vacancy so created. 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 : 12 February 1999

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 1998 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 : 12 February 1999

TERRACE HILL PROPERTIES LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 July 1998

	<u>Note</u>	<u>Year ended</u> <u>31 July 1998</u> <u>£</u>	<u>Year ended</u> <u>31 July 1997</u> <u>£</u>
TURNOVER	2	658,188	424,745
Cost of sales		(84,964)	(70,088)
GROSS PROFIT		573,224	354,657
Administrative expenses		(152,224)	(81,061)
Reversal of previous property write down below cost		145,000	-
OPERATING PROFIT		566,000	273,596
Profit on sale of investment properties		312,546	119,838
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		878,546	393,434
Investment income	3	9,747	5,915
Interest payable	4	(222,848)	(154,207)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		665,445	245,142
Taxation	6	-	-
RETAINED PROFIT FOR THE PERIOD	14	£665,445	£245,142
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Profit for the period	14	665,445	245,142
Unrealised gain on revaluation of properties	13	495,840	-
TOTAL RECOGNISED GAINS FOR THE PERIOD		£1,161,285	£245,142

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 1998

	Note	31 July 1998 £	31 July 1997 £
FIXED ASSETS			
Investment properties	7	4,463,033	5,222,193
CURRENT ASSETS			
Debtors	8	76,767	54,066
Investments	9	-	47,825
Cash at bank		31,106	21,813
		107,873	123,704
CREDITORS			
Amounts falling due within one year	10	(1,467,004)	(2,090,600)
NET CURRENT LIABILITIES		(1,359,131)	(1,966,896)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,103,902	3,255,297
CREDITORS			
Amounts falling due after more than one year	11	(1,192,205)	(2,504,885)
NET ASSETS		<u>£1,911,697</u>	<u>£750,412</u>
CAPITAL AND RESERVES			
Called-up share capital	12	1,800,100	1,800,100
Revaluation reserve	13	495,840	-
Profit and loss account	14	(384,243)	(1,049,688)
EQUITY SHAREHOLDERS' FUNDS	15	<u>£1,911,697</u>	<u>£750,412</u>

Approved by the Board on : 12 February 1999


 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 1998

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 1998

2	TURNOVER	<u>Year ended</u> <u>31 July 1998</u>	<u>Year ended</u> <u>31 July 1997</u>
		<u>£</u>	<u>£</u>
	Rents receivable	<u>£658,188</u>	<u>£424,745</u>
3	INVESTMENT INCOME	<u>Year ended</u> <u>31 July 1998</u>	<u>Year ended</u> <u>31 July 1997</u>
		<u>£</u>	<u>£</u>
	Income from current asset listed investments	2,375	4,750
	Bank interest receivable	2,447	1,165
	Profit on sale of current asset investments	4,925	-
		<u>£9,747</u>	<u>£5,915</u>
4	INTEREST PAYABLE	<u>Year ended</u> <u>31 July 1998</u>	<u>Year ended</u> <u>31 July 1997</u>
		<u>£</u>	<u>£</u>
	Interest on loans wholly repayable within five years	222,473	57,743
	Interest on loans repayable after more than five years	-	96,292
	Other interest	375	172
		<u>222,848</u>	<u>£154,207</u>
5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>Year ended</u> <u>31 July 1998</u>	<u>Year ended</u> <u>31 July 1997</u>
		<u>£</u>	<u>£</u>
	Profit on ordinary activities before taxation is stated after charging :		
	Bank charges	£28	£9,017
	Auditors' remuneration	£2,000	£2,000
	Operating lease rentals - land & buildings	£27,500	£6,762

No Directors received any emoluments in respect of their services to the company (1997 - £Nil).
No other persons were employed by the company during the year (1997 : None).

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 1998****6 TAXATION**

	<u>Year ended 31 July 1998</u>	<u>Year ended 31 July 1997</u>
	<u>£</u>	<u>£</u>
UK Corporation Tax at 31 % (1997 : 33 %)	78,809	-
Benefit of losses claimed under group relief	(78,809)	-
	<u>£-</u>	<u>£ -</u>

7 INVESTMENT PROPERTIES

	<u>31 July 1998</u>	<u>31 July 1997</u>
	<u>£</u>	<u>£</u>
Balance brought forward	5,222,193	4,095,000
Additions	-	1,657,492
Disposals	(1,400,000)	(530,299)
Revaluations (Note 13)	495,840	-
Reversal of previous property write down below cost	145,000	-
Balance carried forward	<u>£4,463,033</u>	<u>£5,222,193</u>
Historical cost carried forward	<u>£4,189,084</u>	<u>£5,874,736</u>

Investment property includes £Nil (1997 : £317,255) of interest which has been capitalised.

Investment properties were valued on an open market value for existing use basis on 31 July 1998 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.

8 DEBTORS

	<u>31 July 1998</u>	<u>31 July 1997</u>
	<u>£</u>	<u>£</u>
Due within one year :		
Trade debtors	45,959	17,998
Other debtors	11,554	11,079
Prepayments and accrued income	19,254	24,989
	<u>£76,767</u>	<u>£54,066</u>

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1998

9	CURRENT ASSET INVESTMENTS	<u>31 July 1998</u> <u>£</u>	<u>31 July 1997</u> <u>£</u>
	Balance brought forward	47,825	47,825
	Disposals	(47,825)	-
	Balance carried forward	<u>£-</u>	<u>£47,825</u>

10	CREDITORS	<u>31 July 1998</u> <u>£</u>	<u>31 July 1997</u> <u>£</u>
	Amounts falling due within one year :		
	Bank loans and overdrafts	472,014	120,586
	Trade creditors	23,759	24,190
	Amounts due to fellow subsidiary undertaking	758,961	1,629,862
	Other creditors including taxation and social security	30,440	110,980
	Accruals and deferred income	181,830	204,982
		<u>£1,467,004</u>	<u>£2,090,600</u>

The bank loans are secured by legal charges on investment properties and are further secured by collateral owned by the Adair Trusts (note 17). Interest is payable at various commercial rates.

11	CREDITORS	<u>31 July 1998</u> <u>£</u>	<u>31 July 1997</u> <u>£</u>
	Amounts falling due after more than one year :		
	Secured creditors (See note 10)		
	Bank loans repayable 2-5 years by installments	1,127,621	2,029,115
	Bank loans repayable over 5 years by installments	-	361,757
	Accruals	64,584	114,013
		<u>£1,192,205</u>	<u>£2,504,885</u>

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 1998**

12 SHARE CAPITAL	31 July 1998	31 July 1997
	<u>£</u>	<u>£</u>
Authorised 5,000,000 Ordinary shares of £1 each	<u>£5,000,000</u>	<u>£5,000,000</u>
Allotted, called-up and fully paid 1,800,100 Ordinary shares of £1 each	<u>£1,800,100</u>	<u>£1,800,100</u>
13 REVALUATION RESERVE	31 July 1998	31 July 1997
	<u>£</u>	<u>£</u>
Balance brought forward	-	-
Additions	495,840	-
Balance carried forward	<u>£495,840</u>	<u>£-</u>
14 PROFIT AND LOSS ACCOUNT	Year ended 31 July 1998	Year ended 31 July 1997
	<u>£</u>	<u>£</u>
Balance brought forward	(1,049,688)	(1,294,830)
Retained profit for the year	665,445	245,142
Balance carried forward	<u>£(384,243)</u>	<u>£(1,049,688)</u>
15 MOVEMENTS IN SHAREHOLDERS' FUNDS	Year ended 31 July 1998	Year ended 31 July 1997
	<u>£</u>	<u>£</u>
Profit for the period	665,445	245,142
Other recognised gains	495,840	-
Increase in shareholders' funds	1,161,285	245,142
Opening shareholders' funds	750,412	505,270
Closing shareholders' funds	<u>£1,911,697</u>	<u>£750,412</u>

TERRACE HILL PROPERTIES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 July 1998**16 GUARANTEES AND FINANCIAL COMMITMENTS**

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

	<u>31 July 1998</u>	<u>31 July 1997</u>
	<u>£</u>	<u>£</u>
within two years	£27,500	£27,500
within twenty one years	£47,520	£47,520
	<u> </u>	<u> </u>

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

17 RELATED PARTY TRANSACTIONS

The collateral referred to in note 10 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.

18 ULTIMATE PARENT COMPANY

The ultimate parent company is Westview Group Limited which is registered in England and Wales.