

Company Registered No: 2693490

TERRACE HILL DEVELOPMENTS LIMITED

FINANCIAL STATEMENTS

31ST JULY 1997



Saffery Champness

CHARTERED ACCOUNTANTS

TERRACE HILL DEVELOPMENTS LIMITED

COMPANY INFORMATION

DIRECTORS

R F M Adair
D A Prowse
N J C Turnbull
P A J Leech
C M Adair
M B Adair
R E Lane
S L Adair

SECRETARY

T Walsh

REGISTERED OFFICE

1 Portland Place
London W1N 3AA

REGISTERED AUDITORS

Saffery Champness
Chartered Accountants
Fairfax House
Fulwood Place
Gray's Inn
London WC1V 6UB

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

The Directors submit their report and the financial statements for the year ended 31st July, 1997.

RESULTS

The profit and loss account shows a profit for the period after taxation of £36,551 (16 month period ended 31st July 1996: loss £331,016).

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is property development. The Directors do not envisage any major changes in the current activities of the company.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the period together with their interests in the share capital at 31st July, 1997 and 1996 were as follows:

Ordinary Shares of £1 each

R F M Adair	-
D A Prowse	-
N J C Turnbull	-
P A J Leech	-
C M Adair	-
M B Adair	-
S L Adair	-
R E Lane	-

R F M Adair has an interest in the share capital of the company by virtue of his interest in the share capital of Westview Group Limited, the ultimate parent company. C M Adair and M B Adair have an interest in the share capital of the company by virtue of their interest in the share capital of Westview Investments Limited an intermediate holding company.

TERRACE HILL DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS (Continued)

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE FINANCIAL STATEMENTS**

Company law requires the Directors to prepare financial statements for each financial period 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.

REGISTERED AUDITORS

Saffery Champness 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: 24th March 1998

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, 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 31st July, 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

Saffery Champness
Chartered Accountants
Registered Auditors
Fairfax House
Fulwood Place
Gray's Inn
London WC1V 6UB

Date: 25th March 1998

TERRACE HILL DEVELOPMENTS LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31st July, 1997

		<u>Year ended</u> <u>31st July</u> <u>1997</u> <u>£</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u> <u>£</u>
	<u>Note</u>		
TURNOVER	2	1,111,045	5,219,433
Cost of sales		(791,283)	(4,845,292)
GROSS PROFIT		319,762	374,141
Administration expenses		(285,622)	(675,985)
OPERATING PROFIT (LOSS)		34,140	(301,844)
Interest receivable	3	2,411	15,896
Interest payable	4	-	(45,068)
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	36,551	(331,016)
Taxation	7	-	-
RETAINED PROFIT (LOSS) FOR THE PERIOD	14	£36,551	£(331,016)

The company has no other recognised gains or losses other than those stated in the Profit and Loss account.

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.

TERRACE HILL DEVELOPMENTS LIMITED**BALANCE SHEET****at 31st July, 1997**

	<u>Note</u>	<u>31st July</u> <u>1997</u> <u>£</u>	<u>31st July</u> <u>1996</u> <u>£</u>
CURRENT ASSETS			
Work in progress	8	869,216	623,042
Debtors	9	372,785	590,995
Cash at bank	10	13,972	92,790
		<hr/>	<hr/>
		1,255,973	1,306,827
CREDITORS			
Amounts falling due within one year	11	(982,470)	(993,630)
		<hr/>	<hr/>
NET CURRENT ASSETS		273,503	313,197
PROVISIONS FOR LIABILITIES AND CHARGES			
	12	(26,481)	(102,726)
		<hr/>	<hr/>
NET ASSETS		<u>£247,022</u>	<u>£210,471</u>
CAPITAL AND RESERVES			
Called-up share capital	13	750,000	750,000
Profit and loss account	14	(502,978)	(539,529)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	15	<u>£247,022</u>	<u>£210,471</u>

Approved by the Board on: 24th March 1998



N J C Turnbull
Director

The accompanying notes form an integral part of this Balance Sheet.

TERRACE HILL DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31st July, 1997**1 ACCOUNTING POLICIES****a) BASIS OF ACCOUNTING**

These financial statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards.

b) TURNOVER

Turnover represents the sales of trading properties and rental and service charge income excluding value added tax. Sales of properties are reflected in the accounts if an unconditional contract is exchanged by the balance sheet date and the sale is completed before the date of approval of the accounts.

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) WORK IN PROGRESS

Development work in progress is valued at the lower of cost and net realisable value. Interest costs and other attributable direct overheads are included in the value of work in progress where appropriate.

e) OPERATING LEASES

Where Enterprise Zone operating leases are entered into with the intention of assigning leases to tenants, meeting standard institutional criteria, a full provision is made for periods of anticipated non occupation. Any subsequent lettings resulting in a reduction in the provision will be credited to the profit and loss account.

f) PENSIONS

The company contributes to a defined contribution scheme. Contributions are charged to the profit and loss account as they become due.

g) COMPARATIVE FIGURES

The comparative figures are for the sixteen month period ended 31st July, 1996.

TERRACE HILL DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31st July, 1997

2	TURNOVER	<u>Year ended</u> <u>31st July</u> <u>1997</u> <u>£</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u> <u>£</u>
	Sale of properties	940,650	4,850,000
	Rental Income	30,395	119,433
	Management Fee	140,000	250,000
		<u>£1,111,045</u>	<u>£5,219,433</u>
	Turnover arises entirely in the United Kingdom.		
3	INTEREST RECEIVABLE	<u>Year ended</u> <u>31st July</u> <u>1997</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u>
	Bank interest receivable	<u>£2,411</u>	<u>£15,896</u>
4	INTEREST PAYABLE	<u>Year ended</u> <u>31st July</u> <u>1997</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u>
	Repayable within five years not by instalments:-		
	Bank loans	<u>£ Nil</u>	<u>£45,068</u>
5	PROFIT(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>Year ended</u> <u>31st July</u> <u>1997</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u>
	Profit (Loss) on ordinary activities before taxation is stated after charging:		
	Auditors' remuneration	<u>£2,000</u>	<u>£2,000</u>

TERRACE HILL DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31st July, 1997**6 DIRECTORS REMUNERATION**

	<u>Year ended</u> <u>31st July</u> <u>1997</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u>
Average number of employees (including Directors):		
Management and administration	8	7
	<u>£</u>	<u>£</u>
The aggregate payroll of these were:-		
Wages and salaries	125,313	167,085
Social security costs	29,801	-
Pensions	95,568	191,136
	<u>£250,682</u>	<u>£358,221</u>
The Directors received the following emoluments in respect of their services to the company.		
Remuneration	125,313	167,085
Pension contributions to money purchase pension scheme	95,568	191,136
	<u>£220,881</u>	<u>£358,221</u>
The amounts paid to the highest paid Director were		
Emoluments	<u>£46,313</u>	<u>£61,757</u>
Pension contributions to money purchase pension scheme	<u>£27,788</u>	<u>£55,576</u>

No other persons were employed by the company during the year.

TERRACE HILL DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31st July, 1997**7 TAXATION**

	<u>Year ended</u> <u>31st July</u> <u>1997</u> <u>£</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u> <u>£</u>
UK Corporation Tax at 33%	-	6,293
Benefit of losses claimed under group relief	-	(6,293)
	<u>£-</u>	<u>£-</u>

No charge to Corporation Tax arises as the company has made a loss for tax purposes.

8 WORK IN PROGRESS

	<u>31st July</u> <u>1997</u>	<u>31st July</u> <u>1996</u>
Development work in progress	<u>£869,216</u>	<u>£623,042</u>

Development work in progress includes £23,457 (1996: £Nil) of interest and £19,920 (1996: £Nil) of rental income.

9 DEBTORS

	<u>31st July</u> <u>1997</u> <u>£</u>	<u>31st July</u> <u>1996</u> <u>£</u>
Due within one year:-		
Trade Debtors	-	59,914
Amounts due from fellow subsidiary undertakings	216,784	248,908
Other debtors	2,270	-
Prepayments and accrued income	153,731	282,173
	<u>£372,785</u>	<u>£590,995</u>

10 CASH AT BANK

Cash at bank comprises three bank deposits totalling £13,972 (1996: £92,790) which support rent guarantees issued by the company. Restrictions on the use of the rent guarantee deposits will expire within one year.

TERRACE HILL DEVELOPMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31st July, 1997

11 CREDITORS	<u>31st July</u> <u>1997</u>	<u>31st July</u> <u>1996</u>
Amounts falling due within one year:-	<u>£</u>	<u>£</u>
Bank overdraft	163,446	15,293
Bank loan	590,000	-
Trade creditors	40,240	38,457
Amounts due to fellow subsidiary undertakings	-	500,000
Other creditors	-	118
Accruals	188,784	439,762
	<u>£982,470</u>	<u>£993,630</u>

The bank loan is secured by a fixed charge on a development work in progress and a guarantee from a fellow subsidiary undertaking.

12 PROVISIONS FOR LIABILITIES AND CHARGES	<u>31st July</u> <u>1997</u>	<u>31st July</u> <u>1996</u>
Specific accruals for rent payable	<u>£26,481</u>	<u>£102,726</u>

13 SHARE CAPITAL	<u>31st July</u> <u>1997</u>	<u>31st July</u> <u>1996</u>
Authorised 1,000,000 ordinary shares of £1 each	<u>£1,000,000</u>	<u>£1,000,000</u>
Allotted, called-up and full paid 750,000 ordinary shares of £1 each	<u>£750,000</u>	<u>£750,000</u>

14 PROFIT AND LOSS ACCOUNT	<u>Year ended</u> <u>31st July</u> <u>1997</u> <u>£</u>	<u>16 months to</u> <u>31st July</u> <u>1996</u> <u>£</u>
Balance brought forward	(539,529)	(208,513)
Profit(Loss) for the period	36,551	(331,016)
Balance carried forward	<u>£(502,978)</u>	<u>£(539,529)</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July, 1997

15	MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>Year ended</u>	<u>16 months to</u>
		<u>31st July</u>	<u>31st July</u>
		<u>1997</u>	<u>1996</u>
		<u>£</u>	<u>£</u>
	New share capital subscribed	-	749,998
	Profit(Loss) for the period	36,551	(331,016)
	Opening shareholders' funds	210,471	(208,511)
	Closing shareholders' funds	<u>£247,022</u>	<u>£210,471</u>

16 OPERATING LEASES

The company has entered into agreements to lease a number of properties with a rental of £36,771 per annum (1996: £92,558) which will expire within one year. This commitment ceases proportionately as soon as any of the properties are let to tenants meeting criteria specified in the leases.

17 PENSIONS

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become due.

18 FINANCIAL COMMITMENTS AND OBLIGATIONS

The company is party to a guarantee arrangement securing the bank overdraft and loans of fellow subsidiaries. The company has also entered into a guarantee securing the rental obligation of a fellow subsidiary.

19 RELATED PARTY TRANSACTIONS

During the period the company paid rent of £21,689 (1996 £28,874) in respect of a rental guarantee on a property sold to R F M Adair, C M Adair and M B Adair. The rent is paid on terms similar to property sold to third parties. The company received management fees of £140,000 (1996: £250,000) from Outergolden Limited a company in which R F M Adair, C M Adair and M B Adair have an interest and of which NJC Turnbull is a director.

20 ULTIMATE PARENT COMPANY

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