

COMPANY REGISTRATION NUMBER 3016931

**TERRACE HILL ESTATES LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 OCTOBER 2004**



# **TERRACE HILL ESTATES LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 OCTOBER 2004**

<b>CONTENTS</b>	<b>PAGE</b>
Officers and professional advisers	<b>1</b>
The directors' report	<b>2</b>
Independent auditors' report to the shareholders	<b>4</b>
Profit and loss account	<b>6</b>
Statement of total recognised gains and losses	<b>7</b>
Balance sheet	<b>8</b>
Notes to the financial statements	<b>9</b>
<b>The following pages do not form part of the financial statements</b>	
Detailed profit and loss account	<b>17</b>
Notes to the detailed profit and loss account	<b>18</b>

**TERRACE HILL ESTATES LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

N J C Turnbull  
K W Grundy  
R E Lane  
P A J Leech

**Company secretary**

Park Circus (Secretaries) Limited

**Registered office**

1 Portland Place  
London  
W1B 1PN

**Auditors**

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

# **TERRACE HILL ESTATES LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 OCTOBER 2004**

The directors present their report and the financial statements of the company for the year ended 31 October 2004.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activities of the company are property investment and the co-ordination of the activities of its subsidiaries and joint ventures.

### **RESULTS AND DIVIDENDS**

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

The directors have not recommended a dividend.

### **DIRECTORS**

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

N J C Turnbull  
K W Grundy  
R E Lane  
P A J Leech

The company is a wholly owned subsidiary and the interests of the 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 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 ESTATES LIMITED**

## **THE DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 31 OCTOBER 2004**

### **AUDITORS**

Thompson Taraz LLP will not be offering themselves for re-appointment as auditors 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 26 July 2005

**TERRACE HILL ESTATES LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**  
**TERRACE HILL ESTATES LIMITED**  
**YEAR ENDED 31 OCTOBER 2004**

We have audited the financial statements of Terrace Hill Estates Limited for the year ended 31 October 2004 on pages 6 to 15 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 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 DIRECTORS AND AUDITORS**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

**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.

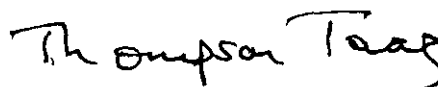
# **TERRACE HILL ESTATES LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERRACE HILL ESTATES LIMITED *(continued)***

**YEAR ENDED 31 OCTOBER 2004**

### **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 2004 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



THOMPSON TARAZ LLP  
Chartered Accountants  
& Registered Auditors

3 New Burlington Mews  
Mayfair  
London  
W1B 4QB

26 July 2005

# TERRACE HILL ESTATES LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 2004

	Note	2004 £	2003 (restated) £
<b>TURNOVER</b>	<b>2</b>	<b>914</b>	<b>—</b>
Administrative expenses		(216,637)	(122,900)
<b>OPERATING LOSS</b>	<b>3</b>	<b>(215,723)</b>	<b>(122,900)</b>
Interest receivable		473	—
Amounts written off investments	<b>5</b>	(279,436)	(2)
Interest payable and similar charges	<b>6</b>	(137,138)	(91,684)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(631,824)</b>	<b>(214,586)</b>
Tax on loss on ordinary activities	<b>7</b>	—	—
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(631,824)</b>	<b>(214,586)</b>

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

The notes on pages 9 to 15 form part of these financial statements.



**TERRACE HILL ESTATES LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 OCTOBER 2004**

	2004	2003 (restated)
	£	£
Loss for the financial year attributable to the shareholders	(631,824)	(214,586)
Unrealised loss on revaluation of certain fixed assets	(279,436)	—
Total gains and losses recognised since the last annual report	<u>(911,260)</u>	<u>(214,586)</u>

The notes on pages 9 to 15 form part of these financial statements.

# TERRACE HILL ESTATES LIMITED

## BALANCE SHEET

31 OCTOBER 2004

	Note	2004 £	2003 (restated) £
<b>FIXED ASSETS</b>			
Tangible assets	9	3,940,000	4,219,582
Investments	10	50	50
		<u>3,940,050</u>	<u>4,219,632</u>
<b>CURRENT ASSETS</b>			
Debtors	11	27,941	65,482
Cash at bank		15,838	23,993
		<u>43,779</u>	<u>89,475</u>
<b>CREDITORS: Amounts falling due within one year</b>	12	<u>3,341,231</u>	<u>2,175,431</u>
<b>NET CURRENT LIABILITIES</b>		<b>(3,297,452)</b>	<b>(2,085,956)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>642,598</b>	<b>2,133,676</b>
<b>CREDITORS: Amounts falling due after more than one year</b>	13	<u>1,606,091</u>	<u>2,465,345</u>
		<u>(963,493)</u>	<u>(331,669)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	16	1	1
Profit and loss account	17	(963,494)	(331,670)
<b>DEFICIENCY</b>	19	<u>(963,493)</u>	<u>(331,669)</u>

These financial statements were approved by the directors on the 26 July 2005 and are signed on their behalf by:

  
N J C TURNBULL

The notes on pages 9 to 15 form part of these financial statements.

**TERRACE HILL ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2004**

**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 1996) 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 rental income and service charges receivable excluding Value added Tax.

**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.

**Investment in subsidiaries**

Investments in subsidiary and associated undertakings are accounted using the equity method whereby the original cost of the investment is adjusted for changes in the value of the underlying net assets.

**Joint arrangement**

The business arrangements of the company are carried out through a joint arrangement that is not an entity ('JANE') as defined by Financial Reporting Standard No. 9. Accordingly the company accounts for it's share of the JANE.

**Cost of raising capital**

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.

**TERRACE HILL ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2004**

**2. TURNOVER**

The turnover and loss before tax are attributable to the one principal activity of the company.  
An analysis of turnover is given below:

	2004	2003 (restated)
	£	£
United Kingdom	<u>914</u>	<u>—</u>

**3. OPERATING LOSS**

Operating loss is stated after charging:

	2004	2003 (restated)
	£	£
Directors' emoluments	—	—
Auditors' remuneration		
- as auditors	<u>3,800</u>	<u>2,900</u>

**4. PARTICULARS OF EMPLOYEES**

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

**5. AMOUNTS WRITTEN OFF INVESTMENTS**

	2004	2003 (restated)
	£	£
Amounts written off investments	—	2
Amount written off investment property	<u>279,436</u>	<u>—</u>
	<u>279,436</u>	<u>2</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2004	2003 (restated)
	£	£
Interest payable on bank borrowing	137,138	—
Interest paid to group undertakings	—	91,684
	<u>137,138</u>	<u>91,684</u>

**TERRACE HILL ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2004**

**7. TAXATION ON ORDINARY ACTIVITIES**

**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004	2003 (restated)
	£	£
Loss on ordinary activities before taxation	<u>(631,824)</u>	<u>(214,586)</u>
Profit/(loss) on ordinary activities by rate of tax	<u>(189,547)</u>	<u>(64,375)</u>
Group Relief	105,716	64,375
Provisions	<u>83,831</u>	<u>—</u>
Total current tax	<u>—</u>	<u>—</u>

**8. JOINT ARRANGEMENT**

The company has a 20% interest in a joint arrangement known as Vine Street Joint Venture which owns an investment property.

**9. TANGIBLE FIXED ASSETS**

	Freehold Property £
<b>COST</b>	
At 1 November 2003	4,219,582
Additions	(146)
Revaluation	<u>(279,436)</u>
<b>At 31 October 2004</b>	<u><b>3,940,000</b></u>
<b>DEPRECIATION</b>	
<b>NET BOOK VALUE</b>	
<b>At 31 October 2004</b>	<u><b>3,940,000</b></u>
At 31 October 2003	<u>4,219,582</u>

No depreciation is provided in respect of investment properties, as stated in the accounting policies note 1. The directors consider that this policy results in the accounts 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 ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2004**

**10. INVESTMENTS**

	£
<b>COST</b>	
At 1 November 2003 and 31 October 2004	<u>50</u>
<b>NET BOOK VALUE</b>	
At 31 October 2004	<u>50</u>
At 31 October 2003	<u>50</u>

The company owns 50% of the issued share capital of Vine Street Uxbridge Limited a company registered in England and Wales which is a nominee company. The company was inactive during the year and had a net asset value of a £100 at 31 October 2004.

**11. DEBTORS**

	2004	2003 (restated)
	£	£
Trade debtors	1,074	64,229
Other debtors	1,825	862
Prepayments and accrued income	25,042	391
	<u>27,941</u>	<u>65,482</u>

**TERRACE HILL ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2004**

**12. CREDITORS: Amounts falling due within one year**

	2004	2003 (restated)
	£	£
Bank loans and overdrafts	2,400,000	—
Trade creditors	66,426	—
Amounts owed to group undertakings	854,416	1,812,227
Other creditors	—	77,704
Accruals and deferred income	20,389	285,500
	<u>3,341,231</u>	<u>2,175,431</u>

**13. CREDITORS: Amounts falling due after more than one year**

	2004	2003 (restated)
	£	£
Bank loans and overdrafts	—	2,343,136
Amounts owed to undertakings in which the company has a participating interest	1,606,091	122,209
	<u>1,606,091</u>	<u>2,465,345</u>

	2004	2003 (restated)
	£	£
Bank loans and overdraft		
Due within one year	2,400,000	—
Due greater than one year	—	(2,343,136)
	<u>2,400,000</u>	<u>(2,343,136)</u>

The bank borrowings are secured on the investment property. The facility has been extended to 30 June 2005 and was repaid on 22 April 2005.

**14. CONTINGENCIES**

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

**15. 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 Terrace Hill Group Plc.

The company has 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 Group Plc.

**TERRACE HILL ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2004**

**16. SHARE CAPITAL**

**Authorised share capital:**

	2004	2003 (restated)
	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

**Allotted, called up and fully paid:**

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

**17. PROFIT AND LOSS ACCOUNT**

	2004	2003 (restated)
	£	£
Balance brought forward	(331,670)	(116,083)
Accumulated loss for the financial year	(631,824)	(214,586)
Transfer to revaluation reserve	—	(1,001)
Balance carried forward	<u>(963,494)</u>	<u>(331,670)</u>

**18. PRIOR YEAR ADJUSTMENT**

The company has changed the way it accounts for its share of the joint venture. Previously this was included at 50% but this has been reduced to 20%. There is no impact in the profit and loss account of the company in the comparative year.

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2004	2003 (restated)
	£	£
Loss for the financial year	(631,824)	(214,586)
Opening shareholders' equity deficit	<u>(331,669)</u>	<u>(117,082)</u>
Closing shareholders' equity deficit	<u>(963,493)</u>	<u>(331,668)</u>



**TERRACE HILL ESTATES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2004**

**20. POST BALANCE SHEET EVENTS**

On 22 April 2005, the investment property was sold for £25,225,000. The company will account for its share of the proceeds at 20%.

**21. 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.