

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



Company Registration Number 3125799

TERRACE HILL NORTH EAST LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2001

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TERRACE HILL NORTH EAST LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

N J C Turnbull
P A J Leech
T R Cansick

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 NORTH EAST LIMITED

THE DIRECTORS' REPORT *(continued)*

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 AND BUSINESS REVIEW

The principal activity of the company is property development.

The directors are satisfied with the result for the year and the position at the year end and expect the company to continue to trade profitably in the forthcoming year.

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 recommended the following dividends:

	2001	2000
	£	£
Dividends paid on ordinary shares	<u>403,011</u>	<u>308,019</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £1 each	
		At 31 July 2001	At 1 August 2000
N J C Turnbull		-	-
P A J Leech		15	15
T R Cansick		-	-
K W Grundy	(Retired 18 December 2000)		
H Llewellyn	(Retired 18 December 2000)		

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 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.

TERRACE HILL NORTH EAST LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JULY 2001

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


T WALSH
Company Secretary

Approved by the directors on 28 February 2002

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

We have audited the financial statements on pages 5 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.

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.

Thompson Taraz

3 New Burlington Mews
Mayfair
London
W1B 4QB

THOMPSON TARAZ
Chartered Accountants
& Registered Auditors

28 February 2002

TERRACE HILL NORTH EAST LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JULY 2001

	Note	2001 £	2000 £
TURNOVER	2	11,657,068	6,592,667
Cost of sales		<u>(9,478,136)</u>	<u>(5,657,782)</u>
GROSS PROFIT		2,178,932	934,885
Administrative expenses		<u>(464,122)</u>	<u>(249,117)</u>
OPERATING PROFIT	3	1,714,810	685,768
Interest receivable		5,404	10,892
Interest payable	5	<u>(376,843)</u>	<u>(156,772)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,343,371	539,888
Tax on profit on ordinary activities		-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,343,371	539,888
Dividends	7	<u>(403,011)</u>	<u>(308,019)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		940,360	231,869

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

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

	2001 £	2000 £
Profit for the financial year attributable to the shareholders	1,343,371	539,888
Total gains and losses recognised since the last annual report	<u>1,343,371</u>	<u>539,888</u>

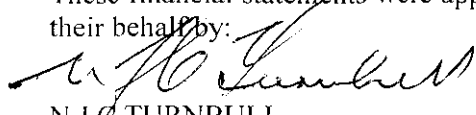
TERRACE HILL NORTH EAST LIMITED

BALANCE SHEET

31 JULY 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Investments	8	2,239,517	-
CURRENT ASSETS			
Stocks	9	3,624,850	10,490,830
Debtors	10	3,149,181	940,583
		<u>6,774,031</u>	<u>11,431,413</u>
CREDITORS: Amounts falling due within one year	11	<u>(6,313,062)</u>	<u>(9,673,304)</u>
NET CURRENT ASSETS		<u>460,969</u>	<u>1,758,109</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,700,486</u>	<u>1,758,109</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(839,488)</u>	<u>(833,955)</u>
		<u>1,860,998</u>	<u>924,154</u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	100	100
Revaluation reserve	17	(3,516)	-
Profit and Loss Account	18	1,864,414	924,054
SHAREHOLDERS' FUNDS	19	<u>1,860,998</u>	<u>924,154</u>

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


N J C TURNBULL
Director

TERRACE HILL NORTH EAST LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 JULY 2001

	Note	2001	2000
		£	£
NET CASH INFLOW/(OUTFLOW)			
FROM OPERATING ACTIVITIES	20	5,907,229	(1,767,275)
RETURNS ON INVESTMENTS AND			
SERVICING OF FINANCE			
Interest received		5,404	10,892
Interest paid		(376,843)	(156,772)
NET CASH OUTFLOW FROM			
RETURNS ON INVESTMENTS AND			
SERVICING OF FINANCE		(371,439)	(145,880)
ACQUISITIONS AND DISPOSALS			
Acquisition of shares in group undertakings		(2,243,033)	-
NET CASH OUTFLOW FROM			
ACQUISITIONS AND DISPOSALS		(2,243,033)	-
EQUITY DIVIDENDS PAID		(403,011)	(308,019)
CASH INFLOW/(OUTFLOW) BEFORE			
FINANCING		2,889,746	(2,221,174)
FINANCING			
Repayment of bank loans		(2,889,746)	2,221,174
NET CASH (OUTFLOW)/INFLOW			
FROM FINANCING		(2,889,746)	2,221,174
INCREASE IN CASH	21	-	-

TERRACE HILL NORTH EAST 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, and in accordance with applicable accounting standards.

The financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from preparing group accounts under Section 228 of the Companies Act 1985 as it is a subsidiary of Westview Group Limited, which is registered in England and Wales.

Turnover

Turnover represents sales of trading properties and rental and service charge income excluding value added tax and arises solely within the United Kingdom. Sales of properties are reflected in the accounts if the property is deemed to be practically complete and an unconditional contract is exchanged by the balance sheet date and the sale is completed before the date of approval of the accounts.

Work in progress

Work in progress is stated 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.

Investment in subsidiaries

Investments in subsidiary and associated undertakings are stated at cost. 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.

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:

	2001	2000
	£	£
Sale of properties	11,320,465	6,309,386
Rental income	306,346	173,281
Other Income	30,257	110,000
	<u>11,657,068</u>	<u>6,592,667</u>

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

3. OPERATING PROFIT

Operating profit is stated after charging:

	2001	2000
	£	£
Directors' emoluments	-	-
Auditors' remuneration		
- as auditors	<u>3,000</u>	<u>2,500</u>

4. PARTICULARS OF EMPLOYEES

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

5. INTEREST PAYABLE

	2001	2000
	£	£
Interest payable on bank borrowing	181,259	37,669
Other similar charges payable	195,584	119,103
	<u>376,843</u>	<u>156,772</u>

Interest paid to group undertakings amounted to £195,584 (2000 - £119,103).

6. TAXATION

No corporation tax arises on the profit for the year due to the availability of group relief.

7. DIVIDENDS

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

	2001	2000
	£	£
Dividend paid on ordinary shares	<u>403,011</u>	<u>308,019</u>

8. INVESTMENTS

	Investment in Subsidiaries £
COST OR VALUATION	
Additions	2,243,033
Revaluations	(3,516)
At 31 July 2001	<u>2,239,517</u>
NET BOOK VALUE	
At 31 July 2001	<u>2,239,517</u>
At 31 July 2000	<u>-</u>

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

8. INVESTMENTS *(continued)*

The company owns 100% of the issued share capital of the companies listed below,

	2001 £	2000 £
Aggregate capital and reserves		
Terrace Hill Stockton Limited	2	-
Terrace Hill Teesdale Limited	2	-
Terrace Hill Retail Limited	2,239,415	-
Profit and (loss) for the year		
Terrace Hill Stockton Limited	-	-
Terrace Hill Teesdale Limited	-	-
Terrace Hill Retail Limited	(3,516)	-

During the year the company acquired 100% of the issued share capital of Terrace Hill Retail Limited a property investment company, Terrace Hill Stockton Limited a dormant company and Terrace Hill Teesdale Limited a dormant company. All companies are registered and operate in England and Wales.

9. STOCKS

	2001 £	2000 £
Work in progress	<u>3,624,850</u>	<u>10,490,830</u>

Development work in progress includes £132,614 of interest (2000: £311,081).

10. DEBTORS

	2001 £	2000 £
Trade debtors	2,702,250	300,262
Amounts owed by group undertakings	291,701	597,172
Other debtors	21,659	21,245
Prepayments and accrued income	133,571	21,904
	<u>3,149,181</u>	<u>940,583</u>

11. CREDITORS: Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	3,190,007	6,085,286
Trade creditors	600,441	22,368
Amounts owed to group undertakings	1,897,835	2,561,537
Other creditors	60,451	46,203
Accruals and deferred income	564,328	957,910
	<u>6,313,062</u>	<u>9,673,304</u>

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

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

	2001	2000
	£	£
Bank loans and overdrafts	839,488	833,955
	<u>839,488</u>	<u>833,955</u>

13. BORROWINGS

	2001	2000
	£	£
Bank loans and overdraft		
Due within one year	3,212,668	6,085,286
Due greater than one year less than two years	839,488	833,955
	<u>4,052,156</u>	<u>6,919,241</u>
Unamortised finance costs	(22,661)	-
	<u>8,081,651</u>	<u>13,838,482</u>

The bank loans are secured by legal charges of certain properties incorporated in development work in progress. Interest is payable at 1.5% over bank base rate.

Monies due on the Bank of Scotland loan are subject to a corporate cross guarantee between the company, other group entities.

14. CONTINGENCIES

The amount of capital expenditure authorised and contracted for at the year end was £9,766,117 (2000:£nil).

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

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 Westview Group Limited.

The collateral for the bank loan is pledged by the Adair Trusts.

R F M Adair is a director of the ultimate parent company which is controlled by life interest trusts established for the benefit of R F M Adair.

Management charges of £933,991 (2000:£813,669) were paid to Terrace Hill Projects Limited, a fellow subsidiary company.

At 31 July 2001 £nil (2000:£71,492) was due from Terrace Hill Partnership in which N J C Turnbull and P A Leech are partners.

At 31 July 2001 the amount due to the immediate parent company was £nil (2000:£2,561,537).

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 Westview Group Limited.

16. SHARE CAPITAL

Authorised share capital:

	2001	2000
	£	£
1,000 Ordinary shares of £1.00 each	1,000	1,000

Allotted, called up and fully paid:

	2001	2000
	£	£
Ordinary share capital	100	100

17. REVALUATION RESERVE

	2001	2000
	£	£
Revaluation of fixed assets	(3,516)	-
Balance carried forward	(3,516)	-

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2001

18. PROFIT AND LOSS ACCOUNT

	2001	2000
	£	£
Balance brought forward	924,054	692,185
Retained profit for the financial year	940,360	231,869
Balance carried forward	<u>1,864,414</u>	<u>924,054</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Profit for the financial year	1,343,371	539,888
Dividends	(403,011)	(308,019)
	<u>940,360</u>	<u>231,869</u>
Other net recognised gains and losses	(3,516)	-
Net addition to funds	936,844	231,869
Opening shareholders' equity funds	924,154	692,285
Closing shareholders' equity funds	<u>1,860,998</u>	<u>924,154</u>

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2001	2000
	£	£
Operating profit	1,714,810	685,768
Decrease/(Increase) in stocks	6,865,980	(2,807,691)
Increase in debtors	(2,208,598)	(603,825)
(Decrease)/Increase in creditors	(464,963)	958,473
Net cash inflow/(outflow) from operating activities	<u>5,907,229</u>	<u>(1,767,275)</u>

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001	2000
	£	£
Increase in cash in the period	-	-
Net cash outflow/(inflow) from bank loans	<u>2,889,746</u>	<u>(2,221,174)</u>
	2,889,746	(2,221,174)
Change in net debt	2,889,746	(2,221,174)
Net debt at 1 August 2000	(6,919,241)	(4,698,067)
Net debt at 31 July 2001	<u>(4,029,495)</u>	<u>(6,919,241)</u>

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2001

22. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2000 £	Cash flows £	At 31 Jul 2001 £
Debt:			
Debt due within 1 year	(6,085,286)	2,895,279	(3,190,007)
Debt due after 1 year	(833,955)	(5,533)	(839,488)
	<u>(6,919,241)</u>	<u>2,889,746</u>	<u>(4,029,495)</u>
Net debt	<u>(6,919,241)</u>	<u>2,889,746</u>	<u>(4,029,495)</u>

23. 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.