

TERRACE HILL (GUILDFORD NO 1) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2003



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TERRACE HILL (GUILDFORD NO 1) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

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TERRACE HILL (GUILDFORD NO 1) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

K W Grundy
T G Walsh
N M Wakefield

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 (GUILDFORD NO 1) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 OCTOBER 2003

The directors present their report and the financial statements of the company for the year ended 31 October 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is property investment.

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.

A General Meeting of the company held on the 22nd day of November 2002 a Special Resolution was passed under which the name of the company was changed to Terrace Hill (Guildford No 1) Limited.

DIRECTORS

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

N J C Turnbull
H Llewellyn
K W Grundy
T G Walsh
N M Wakefield

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

K W Grundy was appointed as a director on 13 December 2002.

T G Walsh was appointed as a director on 13 December 2002.

N M Wakefield was appointed as a director on 27 November 2002.

N J C Turnbull retired as a director on 13 December 2002.

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 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 1, 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.

TERRACE HILL (GUILDFORD NO 1) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 OCTOBER 2003

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.

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 5 March 2004

TERRACE HILL (GUILDFORD NO 1) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 OCTOBER 2003

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 (GUILDFORD NO 1) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 OCTOBER 2003

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 2003 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



THOMPSON TARAZ
Chartered Accountants
& Registered Auditors

3 New Burlington Mews
Mayfair
London
W1B 4QB

5 March 2004

TERRACE HILL (GUILDFORD NO 1) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 OCTOBER 2003

	Note	Year to 31 Oct 03 £	Period from 1 Aug 01 to 31 Oct 02 £
TURNOVER	2	1,187,500	–
Cost of sales		<u>(1,187,500)</u>	<u>–</u>
GROSS PROFIT		–	–
Administrative expenses		<u>(159,700)</u>	<u>(610)</u>
OPERATING LOSS	3	(159,700)	(610)
Interest payable	5	<u>(32,752)</u>	<u>–</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(192,452)	(610)
Tax on loss on ordinary activities	6	<u>–</u>	<u>–</u>
LOSS FOR THE FINANCIAL YEAR		(192,452)	(610)
Balance brought forward		<u>(33,251)</u>	<u>(32,641)</u>
Balance carried forward		<u><u>(225,703)</u></u>	<u><u>(33,251)</u></u>

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

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 11 form part of these financial statements.

TERRACE HILL (GUILDFORD NO 1) LIMITED

BALANCE SHEET

31 OCTOBER 2003

	Note	2003 £	£	2002 £
CURRENT ASSETS				
Stocks	7	3,425,467		—
Debtors	8	174,248		—
Cash at bank		50,141		—
		<u>3,649,856</u>		—
CREDITORS: Amounts falling due within one year	9	<u>2,031,578</u>		33,249
NET CURRENT ASSETS/(LIABILITIES)			<u>1,618,278</u>	<u>(33,249)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,618,278</u>	<u>(33,249)</u>
CREDITORS: Amounts falling due after more than one year				
	10		<u>1,843,979</u>	—
			<u>(225,701)</u>	<u>(33,249)</u>
CAPITAL AND RESERVES				
Called-up equity share capital	12		2	2
Profit and loss account			<u>(225,703)</u>	<u>(33,251)</u>
DEFICIENCY	13		<u>(225,701)</u>	<u>(33,249)</u>

These financial statements were approved by the directors on the 5 March 2004 and are signed on their behalf by:


N J C TURNBULL

The notes on pages 8 to 11 form part of these financial statements.

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The financial statements have been prepared under the going concern concept, which the directors consider to be appropriate due to continued support of fellow subsidiary undertakings.

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.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Joint arrangements

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 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 loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Year to	Period from
	31 Oct 03	1 Aug 01 to
	£	31 Oct 02
	£	£
United Kingdom	<u>1,187,500</u>	<u>—</u>

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

3. OPERATING LOSS

Operating loss is stated after charging:

	Year to 31 Oct 03 £	Period from 1 Aug 01 to 31 Oct 02 £
Directors' emoluments	—	—
Auditors' remuneration - as auditors	<u>2,200</u>	<u>587</u>

4. PARTICULARS OF EMPLOYEES

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

5. INTEREST PAYABLE

	Year to 31 Oct 03 £	Period from 1 Aug 01 to 31 Oct 02 £
Other similar charges payable	<u>32,752</u>	<u>—</u>

6. TAX ON LOSS 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% (2002 - 20%).

	Year to 31 Oct 03 £	Period from 1 Aug 01 to 31 Oct 02 £
Loss on ordinary activities before taxation	<u>(192,452)</u>	<u>(610)</u>
Profit/(loss) on ordinary activities by rate of tax	<u>(57,735)</u>	<u>(122)</u>
Group relief	<u>57,735</u>	<u>122</u>
Total current tax	<u>—</u>	<u>—</u>

7. STOCKS

	2003 £	2002 £
Work in progress	<u>3,425,467</u>	<u>—</u>

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

8. DEBTORS

	2003	2002
	£	£
Trade debtors	129,281	—
VAT recoverable	44,967	—
	<u>174,248</u>	<u>—</u>

9. CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Trade creditors	361,299	—
Amounts owed to group undertakings	806,085	33,249
Amounts owed to undertakings in which the company has a participating interest	625,000	—
Accruals and deferred income	239,194	—
	<u>2,031,578</u>	<u>33,249</u>

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

	2003	2002
	£	£
Bank loans and overdrafts	<u>1,843,979</u>	<u>—</u>
Bank loans and overdraft		
Between one and two years	1,919,548	—
Unamortised finance costs	(75,569)	—
	<u>1,843,979</u>	<u>—</u>

The bank loan is secured by a charge over the development property. The facility expires in June 2005.

11. RELATED PARTY TRANSACTIONS

The controlling party of the company was Saffery Champness Trust Corporation, trustees of a life interest trust in which R F M Adair is a beneficiary. R F M Adair is a director of the ultimate parent company, Terrace Hill Group Plc.

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 Group Plc.

TERRACE HILL (GUILDFORD NO 1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

12. SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Loss for the financial year	(192,452)	(610)
Opening shareholders' equity deficit	<u>(33,249)</u>	<u>(32,639)</u>
Closing shareholders' equity deficit	<u>(225,701)</u>	<u>(33,249)</u>

14. 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.