

Terrace Hill Group plc

INTERIM

Report and Accounts

30th April 2003

Registered Number 149799



SCT	SILSBN5Q	0460
COMPANIES HOUSE		02/08/03

SCT	S19FZMXG	0256
COMPANIES HOUSE		25/07/03

Terrace Hill Group plc

DIRECTORS AND ADVISERS

DIRECTORS

R F M Adair, M.A., A.C.A., A.T.I.I. (Chairman)	
D R Macdonald, B.L., N.P. (Joint Managing Director)	
K Hudson	Appointed 19 September 2002
N J C Turnbull (Joint Managing Director)	Appointed 19 September 2002
P A Leech	Appointed 19 September 2002
K W Grundy	Appointed 19 September 2002
R Lane	Appointed 19 September 2002
T G Walsh	Appointed 19 September 2002
M A Kelly, LLB (Hons), N.P.	

SECRETARY

M A Kelly, LLB (Hons), N.P.

REGISTERED OFFICE

144 West George Street
Glasgow G2 2HG

REGISTERED AUDITORS

BDO Stoy Hayward
Ballantine House
168 West George Street
Glasgow G2 2PT

REGISTRARS

Park Circus Registrars Limited
144 West George Street
Glasgow G2 2HG

NOMINATED ADVISER

Noble & Company Limited
76 George Street
Edinburgh
EH2 3BU

NOMINATED BROKER

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1X 1RE

Terrace Hill Group plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and 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 accounts; and
- prepare the accounts 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 accounts 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 Group plc

PROFIT AND LOSS ACCOUNT

for the year ended 30th April 2003

	<i>Notes</i>	<i>2003 Unaudited £</i>
TURNOVER		-
OPERATING (LOSS)		(383,011)
(Loss) on disposal of other fixed asset investments		(2,139)
Dividend received from subsidiary company		1,000,000
(Loss) on liquidation of former subsidiary		(4,321)
Interest receivable		1,666
Net provision for investments		(202,551)
Interest payable	2	(673)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 408,971
Taxation charge	4	-
PROFIT FOR THE FINANCIAL YEAR		<hr/> 408,971
Dividend on ordinary shares	5	(193,358)
TRANSFER TO RESERVES	9	<hr/> 215,613 <hr/>

Terrace Hill Group plc

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30th April 2003

	<i>2003</i>
	<i>Unaudited</i>
	<i>£</i>
Profit for the year	408,971
Unrealised (deficit) on revaluation of unlisted investments	(950)
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	<hr/> 408,021 <hr/>

Terrace Hill Group plc

BALANCE SHEET - INTERIM

at 30th April 2003

	Notes	2003 Unaudited £
FIXED ASSETS		
Tangible assets	6	152,000
Investments	7	34,337,122
		<u>34,489,122</u>
CURRENT ASSETS		
Debtors		27,200,464
CREDITORS: Amounts falling due within one year		(29,556,182)
NET CURRENT (LIABILITIES)		<u>(2,355,718)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32,133,404</u>
CAPITAL AND RESERVES		
Called up share capital	8	3,093,713
Deferred consideration	8	192,551
Share premium account	9	11,807,487
Revaluation reserves - other	9	3,171
Capital redemption reserve	9	807,025
Merger reserve	9	15,800,718
Profit and loss account	9	428,739
		<u>32,133,404</u>
Shareholders' funds:		
Equity		<div style="border: 1px solid black; padding: 2px;">32,133,404</div>
Non-equity		-
		<u>32,133,404</u>

These accounts are unaudited and do not constitute statutory accounts as detailed in Sect 240 of the Companies Act 1985.

The accounts have been prepared to enable the directors to make a reasonable judgement of the amount available for distribution by the company.

The unaudited accounts give a true and fair view of the company's state of affairs at 30 April 2003 and of its profit for the year then ended subject to the exclusion of information which would not be relevant in determining whether a distribution would be lawful under the Companies Act 1985.



Approved by the Board
D R Macdonald
Director

27 June 2003

Terrace Hill Group plc

NOTES TO THE ACCOUNTS

at 30th April 2003

1 ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and unlisted investments, and in accordance with applicable accounting standards. The true and fair override provisions of the Companies Act 1985 have been invoked, see "investment properties" below.

Unlisted investments

Unlisted investments, which include shares quoted on the Alternative Investment Market (AiM) are valued in the accounts at a valuation determined by the directors. In determining the valuation of unlisted investments the directors adopt the middle market price where a dealing facility exists and apply a discount if considered appropriate. Where no dealing facility exists the factors to which the directors have regard include, inter alia, the earnings record and growth prospects of the security, the rating of comparable listed companies, the yield of the security, where appropriate, and any recent transactions.

Investment properties

Certain of the company's properties are held for long term investment. Investment properties are accounted for in accordance with SSAP 19, as follows:

- (i) investment properties are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and
- (ii) no depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run.

Although the Companies Act would normally require systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value for investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

FRS 19 has been adopted, resulting in increased disclosure but with no effect on the results of the current or prior year.

Terrace Hill Group plc

2 INTEREST PAYABLE

	2003 £
Loan interest	673
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3 STAFF COSTS

The company incurred no staff costs in the year.

Staff are employed by a subsidiary undertaking.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in period

	2003 £
Current tax	
UK corporation tax on profits of the period	NIL
Adjustment in respect of prior periods:	NIL
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Tax on profit on ordinary activities	NIL
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b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:-

	2003 £
Profit on ordinary activities before tax	408,971
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Profit on ordinary activities multiplied by the standard rate of UK Corporation tax of 30%	122,691
Subsidiary company dividend	(300,000)
Capital losses	(561)
Disallowable provisions	77,062
Loss on sale	561
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	(100,247)
Unutilised losses carried forward	100,247
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Current tax charge for the period	NIL
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c) Factors that may effect future tax charges

A deferred tax asset of £210,229 relating to unutilised trading losses has not been recognised at the balance sheet date. The trading losses reflect the directors' estimate and are subject to agreement with the Inland Revenue. The asset will be recoverable when the company is able to generate sufficient taxable profits in the future, but currently the directors consider it more prudent not to recognise this asset.

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5 DIVIDENDS

	2003 £
Dividends on ordinary shares	193,358

6 TANGIBLE FIXED ASSETS

	<i>Investment Property</i> £
Valuation:	
At 1st May 2002	-
Additions	152,000
At 30th April 2003	152,000

Investment properties owned by the company have been valued at directors valuation as at 30th April 2003.

The historic cost of investment property is £152,000.

7 INVESTMENTS

	<i>Subsidiary undertakings</i> £	<i>Joint venture</i> £	<i>Unlisted investments</i> £	<i>Total</i> £
Cost or valuation:				
At 1st May 2002	27,529,468	50,754	298,580	27,878,802
Additions	7,028,250	3,895	1,764	7,033,909
Disposals	(6)	(54,649)	(7,195)	(61,850)
Deficit on revaluation	-	-	(950)	(950)
Adjustment on revaluation	-	-	(10,173)	(10,173)
At 30th April 2003	34,557,712	-	282,026	34,839,738
Whereof:				
Cost	34,557,712	-	-	34,557,712
Valuation	-	-	282,026	282,026
	34,557,712	-	282,026	34,839,738
Provision for diminution in value:				
At 1st May 2002	301,423	43,464	20,000	364,887
Provided during the year	-	-	191,366	191,366
Provision released during the year	-	(43,464)	-	(43,464)
Adjustment on revaluation	-	-	(10,173)	(10,173)
At 30th April 2003	301,423	-	201,193	502,616
Net book value:				
At 30th April 2003	34,256,289	-	80,833	34,337,122

On a historical cost basis unlisted investments of the company would have been included at a net book value of £77,662.

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8 CALLED UP SHARE CAPITAL

	2003 £
Authorised:	
250,000,000 (2002 - 250,000,000) ordinary shares of 2 pence each	5,000,000
200,000 cumulative 8% redeemable preference shares of £1 each	200,000
3,330,000 convertible shares of 20 pence each	660,000
	<u>5,860,000</u>
	£
Allotted, called up, and fully paid:	
154,685,652 (2002 - 74,353,688) ordinary shares of 2 pence each	<u>3,093,713</u>

Deferred consideration:

The deferred consideration of £192,551 is due to be satisfied by the issue of ordinary shares of 2p each at a price of £2.60. This in is respect of a prior year acquisition and negotiations concerning settlement are currently still in progress.

9 RESERVES

	<i>Share premium £</i>	<i>Revaluation reserve - other £</i>	<i>Capital redemption reserve £</i>	<i>Merger reserve £</i>	<i>Profit and loss account £</i>
At 1st May 2002	9,908,302	4,121	792,025	9,281,908	335,001
Profit for the year	-	-	-	-	215,613
Merger reserve arising on acquisition of subsidiary company	-	-	-	6,518,810	-
Share premium on issue of ordinary shares on acquisition of subsidiary company	2,104,743	-	-	-	-
Transfer to capital redemption reserve	-	-	15,000	-	-
Premium on redemption or purchase of share capital	(196,728)	-	-	-	-
Deficit on revaluation of unlisted investments	-	(950)	-	-	-
Share premium arising on open offer issue of shares	208,404	-	-	-	-
Expenses of share issue/repurchase	(217,234)	-	-	-	-
Ordinary shares repurchased	-	-	-	-	(121,875)
At 30th April 2003	<u>11,807,487</u>	<u>3,171</u>	<u>807,025</u>	<u>15,800,718</u>	<u>428,739</u>

10 RECONCILIATION OF SHAREHOLDERS' FUNDS

	2003 £
Total recognised gains and losses for the year	408,021
Ordinary share dividend	(193,358)
New shares issued	1,658,584
Share premium arising on new shares issued	2,111,129
Merger reserve arising on new shares issued	6,518,810
Purchase of ordinary shares	(370,763)
Total movements during the year	<u>10,132,423</u>
Shareholders' funds at 1st May 2002	22,000,981
Shareholders' funds at 30th April 2003	<u>32,133,404</u>