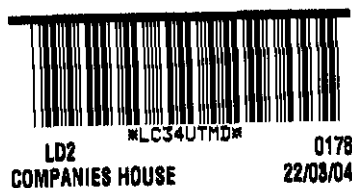


TERRACE HILL DEVELOPMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2003



TERRACE HILL DEVELOPMENTS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

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TERRACE HILL DEVELOPMENTS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	N J C Turnbull R E Lane P A J Leech A J W Pratt K W Grundy 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 DEVELOPMENTS 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 development. The Directors do not envisage any major changes in the current activities of the company.

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:

R F M Adair
N J C Turnbull
R E Lane
P A J Leech
H Llewellyn
A J W Pratt
C M Adair
K W Grundy
M B Adair
S L Adair
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.

N M Wakefield was appointed as a director on 23 December 2002.

R F M Adair retired as a director on 10 April 2003.

H Llewellyn retired as a director on 17 January 2003.

C M Adair retired as a director on 10 April 2003.

M B Adair retired as a director on 10 April 2003.

S L Adair retired as a director on 10 April 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 8, 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 DEVELOPMENTS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 OCTOBER 2003

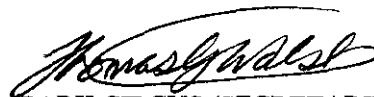
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding 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 DEVELOPMENTS 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 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.

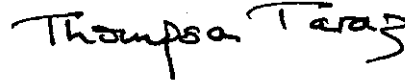
TERRACE HILL DEVELOPMENTS LIMITED

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 DEVELOPMENTS 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	25,031	10,714
Cost of sales		5,711	9,363
GROSS PROFIT		<u>30,742</u>	<u>20,077</u>
Administrative expenses		(98,020)	(94,827)
OPERATING LOSS	3	(67,278)	(74,750)
Interest receivable		60,179	26,748
Interest payable	6	(46,900)	(18,420)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(53,999)</u>	<u>(66,422)</u>
Tax on loss on ordinary activities	7	—	—
LOSS FOR THE FINANCIAL YEAR		(53,999)	(66,422)
Balance brought forward		(66,422)	—
Balance carried forward		<u>(120,421)</u>	<u>(66,422)</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 DEVELOPMENTS LIMITED

BALANCE SHEET

31 OCTOBER 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Investments	8	—	3
CURRENT ASSETS			
Stocks	9	283,269	188,663
Debtors	10	558,433	1,342,830
Cash at bank		—	1,142
		<u>841,702</u>	<u>1,532,635</u>
CREDITORS: Amounts falling due within one year	11	<u>212,123</u>	<u>849,060</u>
NET CURRENT ASSETS		<u>629,579</u>	<u>683,575</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>629,579</u>	<u>683,578</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	750,000	750,000
Profit and loss account		(120,421)	(66,422)
SHAREHOLDERS' FUNDS	14	<u>629,579</u>	<u>683,578</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 DEVELOPMENTS 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.

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 the 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

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

Work in progress is recorded as turnover when a contract is unconditional and total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses.

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 31 Oct 03 £	Period from 1 Aug 01 to 31 Oct 02 £
United Kingdom	<u>25,031</u>	<u>10,714</u>

TERRACE HILL DEVELOPMENTS 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	—	3,175
Auditors' remuneration - as auditors	<u>3,500</u>	<u>3,500</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	Year to 31 Oct 03	Period from 1 Aug 01 to 31 Oct 02
	No	No
Number of management staff	<u>1</u>	<u>1</u>

The aggregate payroll costs of the above were:

	Year to 31 Oct 03	Period from 1 Aug 01 to 31 Oct 02
	£	£
Wages and salaries	—	3,175
Social security costs	—	371
	<u>—</u>	<u>3,546</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Year to 31 Oct 03	Period from 1 Aug 01 to 31 Oct 02
	£	£
Emoluments receivable	<u>—</u>	<u>3,175</u>

6. INTEREST PAYABLE

	Year to 31 Oct 03	Period from 1 Aug 01 to 31 Oct 02
	£	£
Interest payable on bank borrowing	—	19
Interest paid to group undertakings	<u>46,900</u>	<u>18,401</u>
	<u>46,900</u>	<u>18,420</u>

TERRACE HILL DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

7. 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>(53,999)</u>	<u>(66,422)</u>
Profit/(loss) on ordinary activities by rate of tax	(16,200)	(13,284)
Losses brought forward	(5,705)	—
Group Relief	<u>21,905</u>	<u>13,284</u>
Total current tax	<u>—</u>	<u>—</u>

8. INVESTMENTS

	Investment in subsidiaries £
COST	
At 1 November 2002	3
Disposals	(3)
At 31 October 2003	<u>—</u>
NET BOOK VALUE	
At 31 October 2003	—
At 31 October 2002	<u>3</u>

9. STOCKS

	2003 £	2002 £
Work in progress	<u>283,269</u>	<u>188,663</u>

10. DEBTORS

	2003 £	2002 £
Trade debtors	—	19,984
Amounts owed by group undertakings	546,001	1,310,330
Other debtors	12,432	8,418
Prepayments and accrued income	—	4,098
	<u>558,433</u>	<u>1,342,830</u>

TERRACE HILL DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2003

11. CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	9,472	–
Trade creditors	119,351	258,380
Amounts owed to group undertakings	–	576,915
Accruals and deferred income	83,300	13,765
	<u>212,123</u>	<u>849,060</u>

12. 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 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.

13. SHARE CAPITAL

Authorised share capital:

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

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Loss for the financial year	(53,999)	(66,422)
Opening shareholders' equity funds	<u>683,578</u>	<u>750,000</u>
Closing shareholders' equity funds	<u>629,579</u>	<u>683,578</u>

15. ULTIMATE PARENT COMPANY

The immediate parent company is Terrace Hill Limited a company registered in England and Wales. The ultimate parent company is Terrace Hill Group Plc which is registered in Scotland.