

COMPANY REGISTRATION NUMBER 04349231

TERRACE HILL (NEWCASTLE) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2005



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TERRACE HILL (NEWCASTLE) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

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TERRACE HILL (NEWCASTLE) LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	N J C Turnbull P A J Leech
Company secretary	Park Circus (Secretaries) Limited
Registered office	1 Portland Place London W1B 1PN
Auditors	BDO Stoy Hayward LLP Chartered Accountants & Registered Auditors 8 Baker Street London W1U 3LL

TERRACE HILL (NEWCASTLE) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 OCTOBER 2005

The directors present their report and the financial statements of the company for the year ended 31 October 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was property development.

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

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 and ultimate parent companies.

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 and of the profit or loss of the company for that year. 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 (NEWCASTLE) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 OCTOBER 2005

AUDITORS

BDO Stoy Hayward LLP were appointed as auditors during the year. A resolution to re-appoint BDO Stoy Hayward LLP 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 27 March 2006

TERRACE HILL (NEWCASTLE) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TERRACE HILL (NEWCASTLE) LIMITED
YEAR ENDED 31 OCTOBER 2005

We have audited the financial statements of Terrace Hill (Newcastle) Limited for the year ended 31 October 2005 on pages 6 to 11 which have been prepared under the historical cost convention 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 (NEWCASTLE) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TERRACE HILL (NEWCASTLE) LIMITED *(continued)*
YEAR ENDED 31 OCTOBER 2005

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 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

8 Baker Street
London W1U 3LL

27 March 2006

BDO STOY HAYWARD LLP
Chartered Accountants
& Registered Auditors

TERRACE HILL (NEWCASTLE) LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 OCTOBER 2005**

	Note	2005 £	2004 £
TURNOVER		—	—
Cost of sales		<u>136</u>	<u>50,632</u>
GROSS PROFIT		136	50,632
Administrative expenses		<u>(39)</u>	<u>(1,027)</u>
OPERATING PROFIT	2	97	49,605
Interest receivable		—	599
Interest payable and similar charges	4	<u>(184)</u>	—
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(87)	50,204
Tax on (loss)/profit on ordinary activities	5	—	—
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(87)	50,204
Dividends	6	—	<u>(50,204)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(87)</u>	<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.

TERRACE HILL (NEWCASTLE) LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
YEAR ENDED 31 OCTOBER 2005

	2005 £	2004 £
(Loss)/Profit for the financial year	(87)	50,204
Dividends	<u>—</u>	<u>(50,204)</u>
	(87)	—
Opening shareholders' equity funds	<u>1</u>	<u>1</u>
Closing shareholders' equity (deficit)/funds	<u>(86)</u>	<u>1</u>

TERRACE HILL (NEWCASTLE) LIMITED

BALANCE SHEET

31 OCTOBER 2005

	Note	2005 £	£	2004 £	£
CURRENT ASSETS					
Debtors	7	314		78,878	
CREDITORS: Amounts falling due within one year	8	<u>400</u>		<u>78,877</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(86)</u>		<u>1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(86)</u>		<u>1</u>
CAPITAL AND RESERVES					
Called-up equity share capital	10		1		1
Profit and loss account	11		<u>(87)</u>		<u>-</u>
(DEFICIENCY)/SHAREHOLDERS' FUNDS			<u>(86)</u>		<u>1</u>

These financial statements were approved by the directors on the 27 March 2006 and are signed on their behalf by:



N J C TURNBULL

TERRACE HILL (NEWCASTLE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2005

1. ACCOUNTING POLICIES**Basis of accounting**

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

These financial statements have been prepared in accordance with the going concern concept which the directors consider to be appropriate due to the continued support of fellow subsidiary undertakings.

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.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2005 £	2004 £
Directors' emoluments	—	—
Auditors' remuneration - as auditors	—	1,000
	<u>—</u>	<u>1,000</u>

3. PARTICULARS OF EMPLOYEES

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

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Interest payable on bank borrowing	184	—
	<u>184</u>	<u>—</u>

5. TAXATION ON ORDINARY ACTIVITIES**Factors affecting current tax charge**

The tax assessed on the (loss)/profit on ordinary activities for the year is the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
(Loss)/profit on ordinary activities before taxation	(87)	50,204
Profit/(loss) on ordinary activities by rate of tax	(26)	15,062
Group relief	26	(15,062)
Total current tax	<u>—</u>	<u>—</u>

TERRACE HILL (NEWCASTLE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2005

6. DIVIDENDS

No dividend has been recommended for the year ended 31 October 2005.

7. DEBTORS

	2005	2004
	£	£
Amounts owed by group undertakings	314	78,703
Other debtors	—	175
	<u>314</u>	<u>78,878</u>

8. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	—	43,477
Accruals and deferred income	400	35,400
	<u>400</u>	<u>78,877</u>

9. 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.

10. SHARE CAPITAL**Authorised share capital:**

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	1	1	1	1

11. PROFIT AND LOSS ACCOUNT

	2005	2004
	£	£
Accumulated loss for the financial year	<u>(87)</u>	—
Balance carried forward	<u>(87)</u>	—

TERRACE HILL (NEWCASTLE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2005

12. ULTIMATE PARENT COMPANY

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

Copies of the consolidated financial statements of Terrace Hill Group Plc are available from the company's registered office.