

TERRACE HILL (NEWCASTLE) LIMITED
FINANCIAL STATEMENTS
31 OCTOBER 2002

Company Registration Number 04349231



TERRACE HILL (NEWCASTLE) LIMITED
FINANCIAL STATEMENTS
PERIOD ENDED 31 OCTOBER 2002

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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	Thompson Taraz Chartered Accountants & Registered Auditors 3 New Burlington Mews Mayfair London W1B 4QB

TERRACE HILL (NEWCASTLE) LIMITED

THE DIRECTORS' REPORT

PERIOD ENDED 31 OCTOBER 2002

The directors present their report and the financial statements of the company for the Period ended 31 October 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was property development. Under a special resolution passed on 19 February 2002, it was resolved that the company, formerly known as Zoomgrey Management Limited, change its name to Terrace Hill (Newcastle) Limited.

RESULTS AND DIVIDENDS

The trading results for the Period, and the company's financial position at the end of the Period are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

	Ordinary Shares of £1 each	
	At	At
	31 October 2002	1 November 2001 or later date of appointment
N J C Turnbull	-	-
P A J Leech	-	-

N J C Turnbull was appointed as a director on 5 April 2002.

P A J Leech was appointed as a director on 5 April 2002.

Alpha Direct Limited retired as a director on 5 April 2002.

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 Period and of the profit or loss for the Period then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 10, 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)*

PERIOD ENDED 31 OCTOBER 2002

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 24 June 2003

TERRACE HILL (NEWCASTLE) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
PERIOD ENDED 31 OCTOBER 2002

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

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 THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

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. Our responsibilities do not extend to any other information.

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.

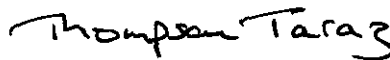
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 October 2002 and of the loss of the company for the Period then ended, and have been properly prepared in accordance with the Companies Act 1985.

3 New Burlington Mews
Mayfair
London W1B 4QB

24 June 2003


THOMPSON TARAZ
Chartered Accountants
& Registered Auditors

TERRACE HILL (NEWCASTLE) LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31 OCTOBER 2002

	Note	2002 £
TURNOVER		—
Administrative expenses		—
OPERATING PROFIT	2	—
Interest payable	4	(8,765)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(8,765)
Tax on loss on ordinary activities	5	—
LOSS FOR THE FINANCIAL PERIOD		<u>(8,765)</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 period as set out above.

TERRACE HILL (NEWCASTLE) LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
PERIOD ENDED 31 OCTOBER 2002

	2002
	£
Loss for the financial Period	(8,765)
New equity share capital subscribed	<u>1</u>
Net reduction to funds	(8,764)
Closing shareholders' equity deficit	<u>(8,764)</u>

TERRACE HILL (NEWCASTLE) LIMITED

BALANCE SHEET

31 OCTOBER 2002

	Note	2002 £	£
CURRENT ASSETS			
Stocks	6	921,520	
Debtors	7	54,578	
		<u>976,098</u>	
CREDITORS: Amounts falling due within one year	8	<u>755,322</u>	
NET CURRENT ASSETS			<u>220,776</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>220,776</u>
CREDITORS: Amounts falling due after more than one year	9		<u>229,540</u>
			<u>(8,764)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	11		1
Profit and Loss Account			<u>(8,765)</u>
DEFICIENCY			<u>(8,764)</u>

These financial statements were approved by the directors on the 24 June 2003 and are signed on their behalf by:


N J C TURNBULL

TERRACE HILL (NEWCASTLE) LIMITED**CASH FLOW STATEMENT****PERIOD ENDED 31 OCTOBER 2002**

	2002	
	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(220,776)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	(8,765)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(8,765)
CASH OUTFLOW BEFORE FINANCING		(229,541)
FINANCING		
Issue of equity share capital	1	
Increase in bank loans	229,540	
NET CASH INFLOW FROM FINANCING		229,541
INCREASE IN CASH		—
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		

	2002
	£
Increase in stocks	(921,520)
Increase in debtors	(54,578)
Increase in creditors	755,322
Net cash outflow from operating activities	(220,776)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002	
	£	£
Increase in cash in the period	—	
Net cash (inflow) from bank loans	(229,540)	
		(229,540)
Change in net debt		(229,540)
Net funds at 1 November 2001		—
Net debt at 31 October 2002		(229,540)

The notes on pages 10 to 11 form part of these financial statements.

TERRACE HILL (NEWCASTLE) LIMITED

CASH FLOW STATEMENT *(continued)*

PERIOD ENDED 31 OCTOBER 2002

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Nov 2001 £	Cash flows £	At 31 Oct 2002 £
Debt:			
Debt due after 1 year	—	(229,540)	(229,540)
Net debt	—	(229,540)	(229,540)

The notes on pages 10 to 11 form part of these financial statements.

TERRACE HILL (NEWCASTLE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 OCTOBER 2002

1. ACCOUNTING POLICIES**Basis of accounting**

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

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.

2. OPERATING PROFIT

Operating profit is stated after charging:

	2002 £
Directors' emoluments	—

3. PARTICULARS OF EMPLOYEES

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

4. INTEREST PAYABLE

	2002 £
Interest paid to group undertakings	<u>8,765</u>

5. TAX ON LOSS OR PROFIT ON ORDINARY ACTIVITIES**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the Period is higher than the standard rate of corporation tax in the UK of 20% (2001 - %).

	2002 £
Loss on ordinary activities before taxation	<u>(8,765)</u>
Profit/(loss) on ordinary activities by rate of tax	(1,753)
Group relief	<u>1,753</u>
Total current tax	—

6. STOCKS

	2002 £
Work in progress	<u>921,520</u>

7. DEBTORS

	2002 £
Other debtors	<u>54,578</u>

TERRACE HILL (NEWCASTLE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 OCTOBER 2002

8. CREDITORS: Amounts falling due within one year

	2002
	£
Trade creditors	223,159
Amounts owed to group undertakings	530,545
Accruals and deferred income	1,618
	<u>755,322</u>

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

	2002
	£
Bank loans and overdrafts	<u>229,540</u>
Bank loans and overdraft	
Due greater than one year less than two years	269,436
Unamortised finance costs	<u>(39,895)</u>
	<u>229,541</u>

The bank loan is secured by a charge over the development property

10. RELATED PARTY TRANSACTIONS

No transactions with related parties were related parties were undertaken such as are required to be disclosed under Financial reporting Standard 8.

11. SHARE CAPITAL

Authorised share capital:

	2002
	£
1 Ordinary shares of £1 each	<u>1</u>

Allotted, called up and fully paid:

	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

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.