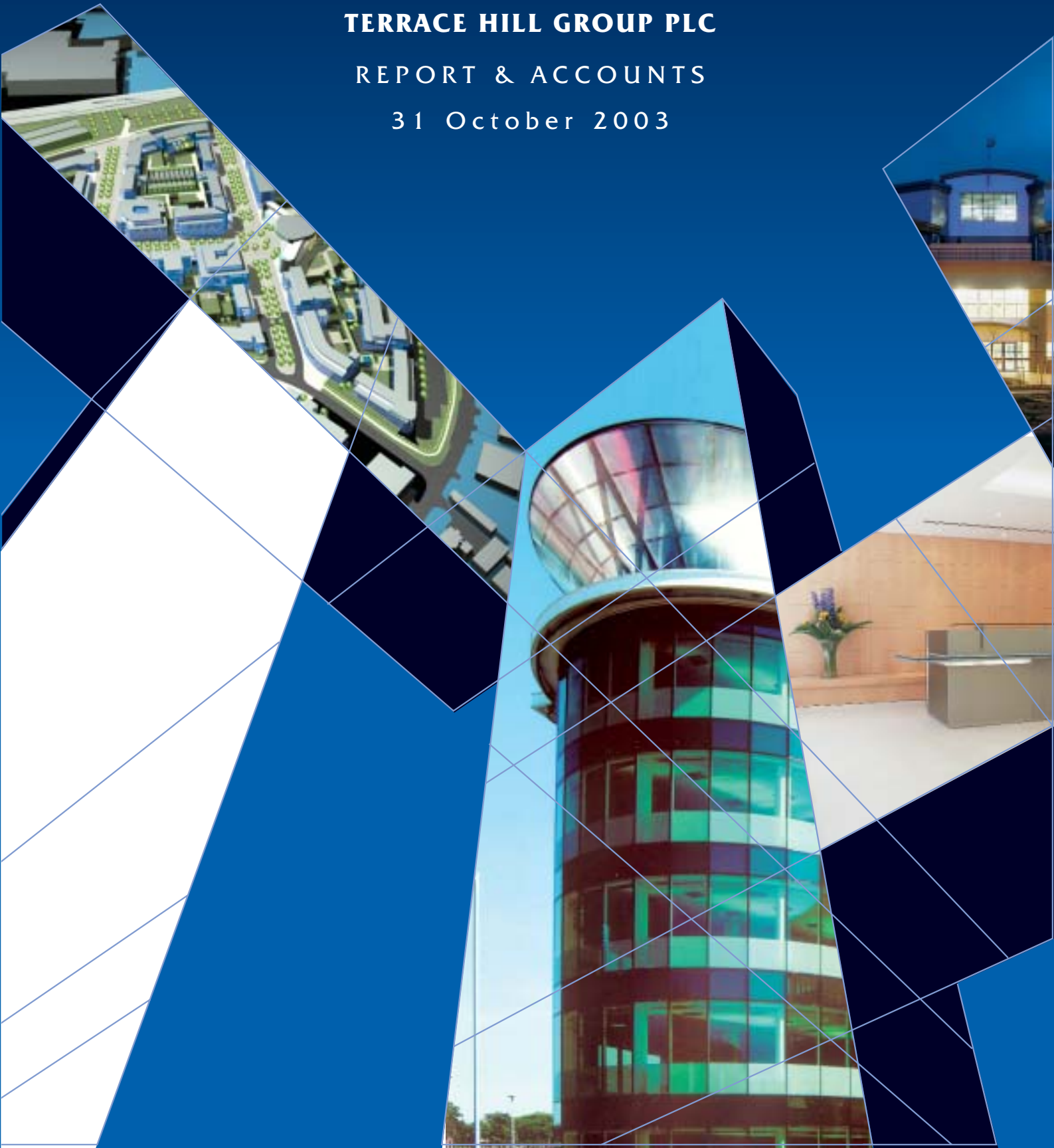




**TERRACE
HILL**

TERRACE HILL GROUP PLC
REPORT & ACCOUNTS
31 October 2003





London office

Terrace Hill Group PLC was created by the merger of CapitalTech PLC and the Westview Group, whose principal operating subsidiary is Terrace Hill Limited. The Group's shares are traded on the alternative investment market (AIM) of the London Stock Exchange.

Terrace Hill Limited was formed in 1986 and is now well established as a successful UK property development company with offices in London, the North East and the South West.

Focused principally on direct commercial property development including offices, retail, industrial, leisure and mixed use schemes, Terrace Hill's in-house team has great depth of experience and a proven track record in all aspects of the development process including site acquisition, project management, letting and sales nationwide. Acquisitions and development are undertaken on both a speculative and pre-let basis.

In addition, the Group holds a substantial residential property portfolio located primarily in Scotland and the North.

Terrace Hill Group PLC is registered in Scotland.
Registration No. SC149799.

Terrace Hill is online at **www.terracehill.co.uk**

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CHAIRMAN'S STATEMENT

18 months to 31 October 2003

I am pleased to present our results for the 18 month period ended 31 October 2003, which included some 13 months of the Commercial Division added by our merger with Westview Group.

Profit before tax was £5,092,831 (year to 30 April 2002: £53,284) and net asset value at the period end stood at £46,634,255 (30 April 2002 : £25,158,735). We are pleased with these results. Our announced strategy in entering into the merger was to add profits to our valuable asset base, and I believe that the results for the period under review show that this has been successfully achieved.

Balance Sheet

Total group assets were £131.7m as at 31 October 2003. The value of investment properties held at the year end was £89.9m (with £45.7m Residential and £44.2m Commercial). In addition, the Commercial Division had £18m as work in progress on developments under construction.

Bank debt stood at 55% of gross assets. At 30 April 2002, net debt, being borrowing less cash, stood at 69% of property value.

Profit and Loss Account

Profit before tax for the period of 18 months to 31 October 2003 amounted to £5,092,831 (year to 30 April 2002 : £53,284). In the 6 months to 31 October 2002 and in the 6 months to 30 April 2003 pre tax profits amounted to £75,000 and £2,145,000 respectively.

Dividend

Maintaining our progressive dividend policy and reflecting our confidence in the future, your directors have decided to recommend a 15.4% increase in the six monthly dividend to 0.15p per share, to be paid as a final dividend. If approved it will be paid on 12 March 2004 to shareholders on the register at 5 March 2004. This dividend compares to the dividend of 0.13p per share paid in respect of the half year to 30 April 2003 and the dividend of 0.125p per share in respect of the half year to 31 October 2002.

Current and Future Trading

As can be seen from the operational review following, I believe that the Group has made substantial progress and secured opportunities with excellent future potential. We are excited about our prospects, and believe that we are capable of delivering very significant increases in shareholder value over time.

Robert F M Adair, Chairman



The Cube

(2,044 sq m / 24,400 sq ft) office development undertaken speculatively. The building was sold to a legal partnership prior to completion.

64 Clarendon Road, Watford

(6,225 sq m / 67,000 sq ft)

New headquarters office building commenced speculatively in 2001. Pre-let to AWG and sold to NPI on completion in 2003.



Peak Village, Peak District, Derbyshire

(5,574 sq m / 60,000 sq ft)

Factory outlet and leisure development including 25 retail outlets, restaurants, visitor attraction and fitness centre. After developing the investment and achieving near 100% occupancy through active management, the centre was sold to a private investor.

OPERATIONAL REVIEW

The 18 months to 31 October 2003 has been an eventful period in both the Commercial and Residential Divisions.

Commercial Division

This Division has made significant progress in the period. The property development process by its very nature takes time to generate added shareholder value or cash flow with the result that published accounts covering a short period cannot always meaningfully state the real underlying progress being achieved. This period, seen in this light, has been a period of considerable activity – the benefits of much of this activity will come in the future.

In the period to 31st October 2003 transactions of note were:

- The sale of the Cube – being 24,400 sq ft of new office space in Newcastle to a firm of solicitors at a price of £4.65m.
- The sale of our factory outlet centre at Rowsley to a private investor for £8.6m, a figure well in excess of our carrying cost of £6.5m.
- The completion of 64 Clarendon Road, Watford, a 67,000 sq ft office complex pre-let to AWG and pre-sold to NPI.
- The completion and occupation by Virgin Active of a 45,000 sq ft leisure facility in Essex. Our current intention is to hold this investment as it is now reversionary.
- The sale of our car showroom property in St Albans for £1.2m (compared to our carrying cost of £0.96m) where we had obtained planning consent for residential use.
- The sale of an office block of 12,750 sq ft on Teesdale for £2.4m showing a profit of £0.7m. This is the latest of several successful developments in a location where we have a further 6.5 acres of development land.
- The sale of our let office investment, Fulwood Place for £4.16m.

Tenant demand has remained somewhat subdued, sentiment not being aided by the Iraq war: Our office developments at Colston 33 in Bristol and Westminster House, Teesside have continued to attract tenant interest. Office developments at numbers 11 and 16 Berkeley Street in Mayfair (respectively of 17,600 sq ft and 34,000 sq ft) were completed in the summer and tenant interest is now in evidence. We see the West End market as likely to be one of the first to see an improvement.

Looking to the future new developments where construction started in the period were:

- 34 Clarendon Road, Watford, being a 25,000 sq ft refurbishment of an existing office building. This will deliver high quality space with car parking considerably in excess of that allowed on new developments in the area.
- A mixed partly pre-let or pre-sold scheme in Guildford consisting of retail, fitness centre and a “crèche” totalling 43,200 sq ft plus 42,000 sq ft of small office units in joint venture with HSBC.



16 Berkeley Street, W1

(3,205 sq m / 34,500 sq ft)

A new build freehold office and retail development in the heart of the West End. Undertaken in joint venture with Longford Estates.



140 Oxford Street/14 South Portland Street, Glasgow

A new build scheme, close to the City's new Courthouse and other residential development south of the River Clyde. The Group holds 20 flats.

34 Clarendon Road, Watford

(2,325 sq m / 25,026 sq ft)

A prominent four storey self-contained office building with 53 car parking spaces which is being comprehensively redeveloped on a speculative basis.



Through its three offices in London, the North East and South West, the Division has concentrated on developing expertise and contacts in particular geographic areas. The Group actively seeks partnerships either with landowners, particularly in the public sector, or private equity investors where it wishes to either spread the risk or earn an enhanced return from the project. This is evidenced by some of the new projects which we have secured which are on a "preferred developer" or on a subject to planning basis.

The pipeline of future projects is now considerable. Besides the "preferred developer" status of Baltic Business Park, Gateshead and Templar House, Bristol, we have during the period secured similar status for schemes in Swansea and Middlehaven, Middlesbrough all with the public sector. In addition, conditional contracts have been signed for developments in Darlington and West Lothian while an industrial scheme at Tunbridge Wells for 170,000 sq ft is expected to be on site in the spring of 2004.

Residential Division

During the year to 30 April 2002, the group began shifting the balance of its residential portfolio towards Scotland and the North of England and this policy was continued during the period to 31 October 2003.

In addition, having seen a sustained period of exceptional growth in residential property values, it was decided to reduce the size of the portfolio by selective selling to focus on higher yielding properties in less expensive areas. The largest such transaction was a disposal of 223 residential units in Edinburgh and the North East of Scotland to Blueroom Properties Limited. The most significant acquisition made in the period was Sallyport House, Newcastle Upon Tyne, a recent development of 43 flats acquired at a price, which we believe, left us room for considerable future growth.

Property management continued to be carefully monitored. Rent collected was seldom less than 99% of rent due in each month, maintenance costs continued to be driven down and, while rents in Scotland tended to be static, (but providing a higher yield to value than in England), in England increases obtained on reviews were generally in the region of 10%.

At 31 October 2003 the group held a total of 585 residential units with a value of £45.7 million. Of these units 337 were located in Scotland (of which 279 are in Glasgow and the West of Scotland), having an average value of £66,801, and 248 in England and Wales, with an average value of £93,550. Across the whole portfolio the average value was £78,141. The group believes that property in the lower middle range of market values is better shielded from sudden changes in interest rates and general economic factors.

Since the period end, the Group has continued to make selective disposals and has acquired 24 units in Paisley, near Glasgow Airport. The Group is also in advanced negotiation with a view to the acquisition of land with future potential for housing development in Scotland.

D. Ross Macdonald, Joint Managing Director

Nigel J C Turnbull, Joint Managing Director

Swansea Waterfront

(3,500 sq m / 28,000 sq ft Office Headquarters). Preferred developer status granted by the Welsh Development Agency for the first commercial phase of the regeneration of 100 acres of former docks adjacent to Swansea city centre.



Queen Elizabeth Park, Guildford (Parklands)

A mixed use scheme comprising an Esporta Health & Fitness Club (2,369 sq m / 25,500 sq ft), Budgens Foodstore (1,040 sq m / 11,200 sq ft), Academy Day Nursery (604 sq m / 6,500 sq ft), together with 26 speculative freehold offices (3,948 sq m / 42,000 sq ft) in units ranging from 115 sq m (1,240 sq ft).



Tunbridge Wells

(10.5 acre site) Acquired with outline planning consent for 170,000 sq ft of industrial units. Phase I being built speculatively



Baltic Business Park, Gateshead

Preferred developer status granted by Gateshead Metropolitan Borough Council for the development of 139,355 sq m / 1.5 million sq ft business park on the banks of the Tyne at Gateshead, Tyne & Wear.



DIRECTORS & ADVISERS

DIRECTORS

R F M Adair MA ACA CTA FGS (Chairman)
D R Macdonald BL NP (Joint Managing Director)
N J C Turnbull LLB CA (Joint Managing Director)
T G Walsh BComm FCA (Finance Director)
K W Grundy FRICS
M A Kelly LLB NP
R E Lane BSc MRICS
P A J Leech MRICS
K M Hudson MA ACA (Non-Executive)

SECRETARY

M A Kelly LLB NP

REGISTERED OFFICE

James Sellars House,
144 West George Street, Glasgow G2 2HG

REGISTERED AUDITORS

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

REGISTRARS

Park Circus Registrars Limited
James Sellars House,
144 West George Street, Glasgow G2 2HG

NOMINATED ADVISER

Noble & Company Limited
76 George Street, Edinburgh EH2 3BU

NOMINATED BROKER

Seymour Pierce Limited
Bucklersbury House, 3 Queen Victoria Street,
London EC4N 8EL

DIRECTORS' REPORT

The Directors submit their report and the group accounts for the 18 month period ended 31 October 2003.

RESULTS AND DIVIDENDS

The group profit for the period, after taxation and minority interests amounted to £4,070,512. The directors recommend the payment of a final dividend of 0.15p per share.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The group's principal activities are property investment, development and trading.

The Chairman's Statement and Operational Review on pages 2, 4 and 6 include a review of the development of the business of the company and its subsidiaries during the period.

ALTERNATIVE INVESTMENT MARKET

The directors have adopted the Model Code for the Alternative Investment Market.

ACQUISITIONS

During the period the company made acquisitions of entities engaged in property investment, development and trading.

Details of these acquisitions are included at note 26.

DIRECTORS AND THEIR INTERESTS

The directors during the period and their interests in the ordinary share capital of the company were as follows:

	<i>At 31 October 2003</i>	<i>At 30 April 2002 (or date of appointment)</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
R F M Adair	128,373,549	47,239,217
D R Macdonald	549,522	442,586
N J C Turnbull (appointed 19 September 2002)	116,000	–
T G Walsh (appointed 19 September 2002)	24,000	–
K W Grundy (appointed 19 September 2002)	10,000	–
M A Kelly	105,302	57,548
R E Lane (appointed 19 September 2002)	–	–
P A J Leech (appointed 19 September 2002)	10,000	–
K M Hudson (appointed 19 September 2002)	–	–
S D H Cufley (resigned 23 December 2002)	–	–
K J Price (resigned 13 August 2002)	–	609,230

No director had any interest in the shares of any of the subsidiary companies except for PAJ Leech who held 15 ordinary shares in Terrace Hill North East Limited at 31 October 2003 and at the date of his appointment.

Details of directors' material interests in contracts are given in note 27 to the accounts.

DIRECTORS' REPORT

SHARE CAPITAL

On 19 September 2002, 80,972,332 ordinary shares of 2p each were issued in exchange for the 1 ordinary share of £1 of Westview Group Limited and 49 ordinary shares of £1 each in Westview Investments Limited together with the conversion of £2,500,000 of debt in the Westview group of companies.

On 19 September 2002, 1,956,842 ordinary shares of 2p each were issued for 12.65p as part of an open offer.

On 19 September 2002, 1,847,210 ordinary shares of 2p each were repurchased by the company at a price of 12.65p.

On 6 March 2003, 750,000 ordinary shares of 2p each and on 26 August 2003, 710,250 ordinary shares of 2p each were repurchased by the company at prices of 16.25p and 17.25p respectively.

CREDITORS' PAYMENT POLICY AND PRACTICE

It is the group's payment policy to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, settlement terms are agreed prior to any business taking place. It is our policy to then abide by those terms.

At the period end the group had an average of 45 days (2002 – 35 days) purchases outstanding in trade creditors.

POST BALANCE SHEET EVENTS

These are detailed in note 28 of the financial statements.

AUDITORS

On 31 December 2003, BDO Stoy Hayward, the group's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP will be submitted at the next annual general meeting.

On behalf of the Board

MA Kelly
Director and Secretary

27 January 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TERRACE HILL GROUP PLC

We have audited the financial statements of Terrace Hill Group PLC for the 18 month period ended 31 October 2003 on pages 13 to 42. These financial statements have been prepared under the accounting policies set out on pages 18 to 20.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Operational Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 group'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 group's and the company's affairs as at 31 October 2003 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

Chartered Accountants
and Registered Auditors
Glasgow

27 January 2004

GROUP PROFIT AND LOSS ACCOUNT

for the 18 month period ended 31 October 2003

	Notes	18 months ended 31 October 2003 £	12 months ended 30 April 2002 £
TURNOVER			
Group:			
Ongoing operations		6,814,673	4,843,558
Acquisitions		32,831,682	–
		<u>39,646,355</u>	<u>4,843,558</u>
Share of joint venture		–	3,981
	2	<u>39,646,355</u>	<u>4,847,539</u>
GROUP OPERATING PROFIT			
Ongoing operations		2,285,262	1,889,763
Acquisitions		1,010,052	–
		<u>3,295,314</u>	<u>1,889,763</u>
Share of joint venture operating profit		–	678
	3	<u>3,295,314</u>	<u>1,890,441</u>
Continuing operations:			
Gain/(loss) on disposal of fixed asset investments		22,996	(6,577)
Net gain on disposal of investment property	5	7,123,244	1,090,444
Permanent diminution in value of an investment property		(300,000)	–
(Loss)/gain on liquidation of former subsidiary		(4,321)	2,652
Interest receivable		490,103	56,759
Amounts written off investments		(201,507)	(101,940)
Interest payable	4	<u>(5,332,998)</u>	<u>(2,878,495)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
	5	5,092,831	53,284
Taxation charge	8	<u>(872,196)</u>	<u>(27,629)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX			
		4,220,635	25,655
Minority Interest		<u>(150,123)</u>	<u>–</u>
PROFIT FOR THE FINANCIAL PERIOD			
		4,070,512	25,655
Dividends	9	<u>(624,487)</u>	<u>–</u>
TRANSFER TO RESERVES			
	20	<u>3,446,025</u>	<u>25,655</u>
Basic and diluted earnings per share	10	<u>3.033p</u>	<u>0.038p</u>

All amounts relate to continuing operations.

The notes on pages 18 to 42 form part of these financial statements.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 18 month period ended 31 October 2003

	<i>18 months ended 31 October 2003 £</i>	<i>12 months ended 30 April 2002 £</i>
Profit attributable to members of the parent company excluding share of losses of joint venture company	4,070,512	27,981
Share of joint venture loss for the period	–	(2,326)
Profit attributable to members of the parent company	4,070,512	25,655
Unrealised surplus on revaluation of investment properties	8,145,414	5,281,750
Unrealised surplus/(deficit) on revaluation of unlisted investments	1,887	(33,637)
TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD	12,217,813	5,273,768

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the 18 month period ended 31 October 2003

	<i>18 months ended 31 October 2003 £</i>	<i>12 months ended 30 April 2002 £</i>
Reported profit on ordinary activities before taxation	5,092,831	53,284
Realised surplus on previously revalued property	4,235,277	468,368
Historical cost profit on ordinary activities before taxation	9,328,108	521,652
Historical cost profit for the period retained after taxation, minority interests and dividends	7,681,302	494,023

The notes on pages 18 to 42 form part of these financial statements.

GROUP BALANCE SHEET

at 31 October 2003

	Notes	31 October 2003 £	30 April 2002 £
FIXED ASSETS			
Intangible assets	11		
Positive goodwill		2,583,058	371,240
Negative goodwill		(1,307,356)	(4,167,242)
		<u>1,275,702</u>	<u>(3,796,002)</u>
Tangible assets	12	89,875,057	74,943,556
		<u>91,150,759</u>	<u>71,147,554</u>
Investments	13		
Joint venture – share of gross assets		–	47,500
Joint venture – share of gross liabilities		–	(40,211)
		<u>–</u>	<u>7,289</u>
Investments in associates		1,053,516	–
Other fixed asset investments		84,706	278,581
		<u>1,138,222</u>	<u>285,870</u>
		<u>92,288,981</u>	<u>71,433,424</u>
CURRENT ASSETS			
Work in progress	14	18,046,537	–
Debtors	15	7,298,376	7,038,069
Cash at bank and in hand		14,048,620	1,905,211
		<u>39,393,533</u>	<u>8,943,280</u>
CREDITORS: amounts falling due within one year	16	(41,585,173)	(4,182,355)
		<u>(2,191,640)</u>	<u>4,760,925</u>
NET CURRENT (LIABILITIES)/ ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		90,097,341	76,194,349
CREDITORS: amounts falling due after more than one year	16	(42,986,307)	(51,035,614)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(476,779)	–
NET ASSETS		<u>46,634,255</u>	<u>25,158,735</u>
CAPITAL AND RESERVES			
Called up share capital	19	3,079,508	1,487,073
Shares to be issued	19	192,551	192,551
Share premium account	20	11,822,703	9,908,302
Revaluation reserves - investment properties	20	13,396,853	9,486,716
Revaluation reserves - other	20	6,008	4,121
Capital redemption reserve	20	821,230	792,025
Merger reserve	20	8,227,582	9,281,908
Profit and loss account	20	8,985,565	(5,993,961)
		<u>46,532,000</u>	<u>25,158,735</u>
EQUITY SHAREHOLDERS' FUNDS			
MINORITY INTERESTS		102,255	–
		<u>46,634,255</u>	<u>25,158,735</u>

Approved by the Board

D R Macdonald
Director

T G Walsh
Director

27 January 2004

The notes on pages 18 to 42 form part of these financial statements.

COMPANY BALANCE SHEET

at 31 October 2003

	Notes	31 October 2003 £	30 April 2002 £
FIXED ASSETS			
Investments	13	34,241,046	27,513,915
CURRENT ASSETS			
Debtors	15	30,751,642	11,404,401
Cash at bank and in hand		4,754	2,652
		30,756,396	11,407,053
CREDITORS: Amounts falling due within one year	16	(32,136,501)	(16,577,452)
NET CURRENT LIABILITIES		(1,380,105)	(5,170,399)
TOTAL ASSETS LESS CURRENT LIABILITIES		32,860,941	22,343,516
CREDITORS: Amounts falling due after more than one year	16	-	(342,535)
NET ASSETS		32,860,941	22,000,981
CAPITAL AND RESERVES			
Called up share capital	19	3,079,508	1,487,073
Shares to be issued	19	192,551	192,551
Share premium account	20	11,822,703	9,908,302
Revaluation reserves - other	20	6,008	4,121
Capital redemption reserve	20	821,230	792,025
Merger reserve	20	8,227,582	9,281,908
Profit and loss account	20	8,711,359	335,001
EQUITY SHAREHOLDERS' FUNDS		32,860,941	22,000,981

Approved by the Board

D R Macdonald
Director

T G Walsh
Director

27 January 2004

The notes on pages 18 to 42 form part of these financial statements.

GROUP STATEMENT OF CASH FLOWS

for the 18 month period ended 31 October 2003

		<i>18 months ended 31 October 2003</i>	<i>12 months ended 30 April 2002</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Cash inflow/(outflow) from operating activities	23(a)	14,754,474	(598,611)
Returns on investments and servicing of finance	23(b)	(5,035,515)	(4,053,080)
Taxation		(97,994)	(970)
Capital expenditure and financial investment	23(b)	50,475,725	17,101,746
Acquisitions and disposals	23(b)	335,882	(5,191,297)
Equity dividends paid		(393,524)	–
Cash inflow before liquid resources and financing		<u>60,039,048</u>	<u>7,257,788</u>
Financing	23(b)	(48,795,260)	730,422
Increase in cash		<u>11,243,788</u>	<u>7,988,210</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>18 months ended 31 October 2003</i>	<i>12 months ended 30 April 2002</i>
	<i>£</i>	<i>£</i>
Increase in cash	11,243,788	7,988,210
Cash flow from debt repaid/(new loans)	<u>48,332,200</u>	<u>(866,057)</u>
Change in net debt arising from cash flows	59,575,988	7,122,153
Long term debt acquired with subsidiaries	(66,651,103)	(26,539,109)
Repayment of subordinated loans by way of rights issue	–	1,752,958
MOVEMENTS IN NET DEBT DURING THE PERIOD	<u>(7,075,115)</u>	<u>(17,663,998)</u>
Opening net debt	(51,805,404)	(34,141,406)
CLOSING NET DEBT	<u>(58,880,519)</u>	<u>(51,805,404)</u>

The analysis of net debt is included in note 23(c).

The notes on pages 18 to 42 form part of these financial statements.

NOTES TO THE ACCOUNTS

at 31 October 2003

I ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, listed 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.

Basis of consolidation

The consolidated financial statements incorporate the results of Terrace Hill Group PLC and all of its subsidiary undertakings as at 31 October 2003 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Joint ventures

An entity is treated as a joint venture where the group holds a long term interest and shares control under a contractual agreement.

In the group financial statements, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the group's share of the identifiable gross assets (including any unamortised premium paid on acquisition) and its share of the gross liabilities attributable to its joint ventures are shown separately.

Where there is a joint arrangement that is not an entity ("JANE") as defined by FRS 9, the group accounts for its own assets, liabilities and cash flows according to the underlying joint agreement.

Associates

An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions.

In the group financial statements, interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Positive and negative goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of the entity's identifiable assets and liabilities.

Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Amortisation is calculated to write off the capitalised goodwill in equal instalments over its estimated useful life up to a maximum of 20 years. Goodwill is reviewed for impairment following the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

Negative goodwill, classified as a negative asset on the balance sheet, is recognised in the profit and loss account in the period in which the non-monetary assets are recovered whether through depreciation or sale.

Goodwill purchased prior to the implementation of Financial Reporting Standard No. 10 and not treated as above was and remains eliminated as a matter of accounting policy against the profit and loss reserve and is charged to the profit and loss account on subsequent disposal of the business to which it is related.

NOTES TO THE ACCOUNTS

at 31 October 2003

I ACCOUNTING POLICIES (continued)

Listed and unlisted investments

Listed investments are valued at market value. Unlisted investments 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.

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 stock and work in progress where appropriate. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Office equipment	– 20% - 25% straight line
Motor vehicles	– 10% - 25% reducing balance
Furniture and fittings	– 20% - 25% straight line

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.

Profits and losses on the sale of investment properties are calculated on the difference between proceeds and net carrying amount whether at valuation or historic cost.

Leasing

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest elements of the rental obligations are charged to profit and loss account over the period of the lease and represent a constant portion of the balance of capital repayments outstanding. The capital elements of future obligations are included as liabilities in the balance sheet. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

NOTES TO THE ACCOUNTS

at 31 October 2003

I ACCOUNTING POLICIES (continued)

Turnover and cost of sales

Sales of development properties are reflected in the accounts if an unconditional contract is exchanged and the property is practically complete by the balance sheet date and the sale is completed before the date of approval of the accounts.

The attributable profit on the sale of development properties is reflected in the accounts if the development properties are pre-sold and the substantial risks derived from completion of the property are passed over to the purchaser.

Management fees and other income are treated on the accruals basis.

Sales of investment property

Sales of investment properties are reflected in the accounts if an unconditional contract is exchanged at the balance sheet date. An appropriate proportion of negative goodwill is released to the profit and loss account at the point of sale.

Pension costs

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

Financial instruments

In relation to the disclosures made in note 18:

- short term debtors and creditors are not treated as financial assets or financial liabilities; and
- it is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

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.

Cost of raising finance

In accordance with Financial Reporting Standard (FRS) No 4, costs incurred in raising finance are netted off against the loan proceeds and amortised over the life of the loan.

NOTES TO THE ACCOUNTS

at 31 October 2003

2 TURNOVER

Turnover represents the amounts derived from the provision of services which fall within the group's ordinary activities, stated net of value added tax.

All the group's activities are based in the United Kingdom and all sales are made to United Kingdom customers. In the previous year all sales were made to United Kingdom customers.

Acquisitions are disclosed in note 3 of the accounts.

	2003	2002
Sales of development properties	28,363,538	–
Rents receivable	10,534,201	4,660,719
Management fees and other income	748,616	186,820
	<u>39,646,355</u>	<u>4,847,539</u>

3 OPERATING PROFIT

	<i>Total</i> 2003 £	<i>Acquisitions</i> 2003 £	<i>Ongoing</i> <i>operations</i> 2003 £	<i>Ongoing</i> <i>operations</i> <i>Total</i> 2002 £
Turnover	39,646,355	32,831,682	6,814,673	4,843,558
Cost of sales	<u>(28,379,501)</u>	<u>(26,360,234)</u>	<u>(2,019,267)</u>	<u>(1,464,683)</u>
Gross profit	11,266,854	6,471,448	4,795,406	3,378,875
Administrative expenses	<u>(7,971,540)</u>	<u>(5,461,396)</u>	<u>(2,510,144)</u>	<u>(1,489,112)</u>
Group operating profit	<u>3,295,314</u>	<u>1,010,052</u>	<u>2,285,262</u>	<u>1,889,763</u>
Share of joint venture profit	–			678
Total operating profit	<u>3,295,314</u>			<u>1,890,441</u>

Set out in the table above is the post acquisition operating results of individual companies acquired in the period.

The above analysis of operating results is before interest charges.

NOTES TO THE ACCOUNTS

at 31 October 2003

4 INTEREST PAYABLE

	2003	2002
	£	£
On loan and overdrafts	5,127,360	2,852,560
Finance charges payable under finance leases	–	126
Amortisation of issue costs	205,638	22,805
	<hr/>	<hr/>
Total group interest payable	5,332,998	2,875,491
Share of joint venture interest payable	–	3,004
	<hr/>	<hr/>
	5,332,998	2,878,495

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003	2002
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration – audit services	165,596	59,900
Auditors' remuneration – non-audit services	1,700	22,000
Depreciation of owned fixed assets	75,385	26,132
Operating lease charges – rent of properties	1,608,617	148,300
Positive goodwill – amortisation	307,581	126,859
Gain on disposal of investment properties	(4,405,326)	(143,802)
Release of negative goodwill	(2,717,918)	(946,642)
	<hr/>	<hr/>
Net gain on disposal of investment property	(7,123,244)	(1,090,444)
Investment property rental income (included in turnover)	(10,534,201)	(4,660,719)
	<hr/>	<hr/>

6 DIRECTORS' EMOLUMENTS

	2003	2002
	£	£
Emoluments (including consultancy fees)	1,520,455	551,976
Amounts receivable under long-term incentive schemes	47,604	–
Compensation for loss of office	50,000	–
Pension contributions	101,105	6,250
	<hr/>	<hr/>

Pension contributions were made during the period in respect of 6 directors (2002 – one).

The emoluments of the highest paid director for the 18 month period including salary, bonuses and benefits were £397,924 (2002 (12 months) – £197,757). Pension contributions in respect of the highest paid director were £73,000 (2002 – £nil).

NOTES TO THE ACCOUNTS

at 31 October 2003

7 STAFF COSTS

	2003	2002
	£	£
Wages and salaries	1,887,056	730,066
Social security costs	215,559	80,569
Other pension costs	110,303	7,083
	<u>2,212,918</u>	<u>817,718</u>

The average monthly number of employees during the period was 17 (2002 – 12).

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period

	2003	2002
	£	£
Current tax		
UK corporation tax on profits of the period	413,000	45,577
Adjustment in respect of prior periods:	(17,583)	(17,948)
Total current tax	<u>395,417</u>	<u>27,629</u>
Deferred tax		
Origination and reversal of timing differences	<u>476,779</u>	<u>–</u>
Tax on profit on ordinary activities	<u>872,196</u>	<u>27,629</u>

(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	2002
	£	£
Profit on ordinary activities before tax	<u>5,092,831</u>	<u>53,284</u>
Profit on ordinary activities multiplied by the standard rate of UK Corporation tax of 30%	1,527,849	15,985
Disallowables	172,540	58,131
Unutilised losses for the period	209,190	209,667
Capital gains	3,756,073	863,535
Gain on sale of properties	(1,290,290)	(180,626)
Wear and Tear allowances and capital allowances in excess of depreciation	(572,134)	(197,123)
Goodwill written off	(721,706)	(245,935)
Capitalised interest	(222,393)	–
Losses brought forward utilised	(2,446,129)	(383,399)
Tax rate adjustment	–	1,857
Tax on pre-acquisition profits	–	(96,515)
	<u>413,000</u>	<u>45,577</u>
Adjustments in respect of previous years	(17,583)	(17,948)
Current tax charge for the period	<u>395,417</u>	<u>27,629</u>

NOTES TO THE ACCOUNTS

at 31 October 2003

8 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(c) Factors that may affect future tax changes

The group expects to continue to claim capital allowances and wear and tear allowances in excess of depreciation.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. The total amount unprovided is £3,315,925 (2002 – £2,637,096)

A deferred tax asset of £295,000 (2002 – £1,134,250) 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 group is able to generate sufficient taxable profits in the future, but currently the directors consider it more prudent not to recognise this asset.

9 DIVIDENDS

	2003 £	2002 £
Ordinary shares		
Interim paid of 0.125p (2002 – Nil p) per share	193,356	–
Interim paid of 0.13p (2002 – Nil p) per share	200,168	–
Final proposed of 0.15p per share (2002 – Nil p) per share	230,963	–
	<u>624,487</u>	<u>–</u>

10 EARNINGS PER ORDINARY SHARE

The calculation of basic and diluted earnings per ordinary share is based on a profit of £4,070,512 (2002 profit – £25,655) and on 134,207,985 (2002 – 66,637,201) ordinary shares, being the weighted average number of shares in issue during the period.

11 INTANGIBLE FIXED ASSETS

	Positive goodwill £	Negative goodwill £
Cost:		
At 1 May 2002	858,942	(6,578,788)
Acquisitions	2,438,508	–
Adjustments	80,891	141,968
At 31 October 2003	<u>3,378,341</u>	<u>(6,436,820)</u>
Amortisation:		
At 1 May 2002	(487,702)	2,411,546
Release/(charge) for the period	(307,581)	2,717,918
At 31 October 2003	<u>(795,283)</u>	<u>5,129,464</u>
Net book value:		
At 31 October 2003	<u>2,583,058</u>	<u>(1,307,356)</u>
At 30 April 2002	<u>371,240</u>	<u>(4,167,242)</u>

Positive goodwill continues to be amortised over the directors' estimate of economic useful life of 20 years or 5 years.

Negative goodwill is released to the profit and loss account as a result of the disposal of non-monetary assets.

NOTES TO THE ACCOUNTS

at 31 October 2003

12 TANGIBLE FIXED ASSETS

Group	Motor vehicles £	Office equipment £	Furniture and fittings £	Investment properties £	Total £
Cost or valuation:					
At 1 May 2002	–	67,760	2,608	74,931,201	75,001,569
Additions	–	23,881	–	12,716,424	12,740,305
Acquisition of subsidiary undertakings	5,977	52,084	333,649	37,649,146	38,040,856
Disposals	–	(63,951)	(333,993)	(55,275,186)	(55,673,130)
Transfer from development work in progress	–	–	–	12,016,075	12,016,075
Surplus on revaluation	–	–	–	8,115,794	8,115,794
Permanent diminution in value	–	–	–	(300,000)	(300,000)
At 31 October 2003	5,977	79,774	2,264	89,853,454	89,941,469
Whereof:					
Cost	5,977	79,774	2,264	–	88,015
Valuation	–	–	–	89,853,454	89,853,454
	5,977	79,774	2,264	89,853,454	89,941,469
Depreciation:					
At 1 May 2002	–	56,623	1,390	–	58,013
Charge for period	339	18,221	56,825	–	75,385
Acquisition of subsidiary undertakings	2,579	38,201	155,804	–	196,584
Disposals	–	(51,815)	(211,755)	–	(263,570)
At 31 October 2003	2,918	61,230	2,264	–	66,412
Net book value:					
At 31 October 2003	3,059	18,544	–	89,853,454	89,875,057
At 30 April 2002	–	11,137	1,218	74,931,201	74,943,556

The investment properties situated in Scotland owned by the group have been valued as at 31 October 2003 by CRGP Robertson of Herbert House, 24 Herbert Street, Glasgow, G20 6NB on the basis of open market value with vacant possession.

Investment properties situated in England owned by the group have been valued by the directors at 31 October 2003 having regard to professional advice during the period.

On a historical cost basis the group's investment properties would have been £76,456,601 (2002 – £65,444,485).

NOTES TO THE ACCOUNTS

at 31 October 2003

13 INVESTMENTS

Group

	<i>Joint ventures</i>	<i>Associates</i>	<i>Other investments other than loans</i>	<i>Investment loans</i>	<i>Total</i>
	£	£	£	£	£
Cost or valuation:					
At 1 May 2002	50,754	–	278,581	364,639	693,974
Additions	3,895	–	2,101	–	5,996
Acquisition of subsidiary undertakings	–	1,053,516	111,040	–	1,164,556
Disposals	(54,649)	–	(118,580)	(364,639)	(537,868)
Surplus on revaluation	–	–	1,887	–	1,887
Adjustment on revaluation	–	–	(9,129)	–	(9,129)
	<u>–</u>	<u>1,053,516</u>	<u>265,900</u>	<u>–</u>	<u>1,319,416</u>
At 31 October 2003	–	1,053,516	265,900	–	1,319,416
Whereof:					
Cost	–	1,053,516	–	–	1,053,516
Valuation	–	–	265,900	–	265,900
	<u>–</u>	<u>1,053,516</u>	<u>265,900</u>	<u>–</u>	<u>1,319,416</u>
Provision for diminution in value:					
At 1 May 2002	43,465	–	–	364,639	408,104
Provided during the period	11,184	–	190,323	–	201,507
Released during period	(54,649)	–	–	(364,639)	(419,288)
Adjustment on revaluation	–	–	(9,129)	–	(9,129)
	<u>–</u>	<u>–</u>	<u>181,194</u>	<u>–</u>	<u>181,194</u>
At 31 October 2003	–	–	181,194	–	181,194
Net book value:					
At 31 October 2003	<u>–</u>	<u>1,053,516</u>	<u>84,706</u>	<u>–</u>	<u>1,138,222</u>
At 30 April 2002	<u>7,289</u>	<u>–</u>	<u>278,581</u>	<u>–</u>	<u>285,870</u>

On a historical cost basis, other investments other than loans would have been included at a net book value of £78,699 (2002 – £274,460).

NOTES TO THE ACCOUNTS

at 31 October 2003

13 INVESTMENTS (continued)

<i>Company</i>	<i>Subsidiary undertakings</i>	<i>Joint venture</i>	<i>Other investments other than loans</i>	<i>Total</i>
	£	£	£	£
Cost or valuation:				
At 1 May 2002	27,529,468	50,754	298,580	27,878,802
Additions	7,028,301	3,895	2,101	7,034,297
Disposals	(6)	(54,649)	(7,540)	(62,195)
Deficit on revaluation	–	–	(7,242)	(7,242)
Adjustment on revaluation	–	–	–	–
At 31 October 2003	<u>34,557,763</u>	<u>–</u>	<u>285,899</u>	<u>34,843,662</u>
Whereof:				
Cost	34,557,763	–	–	34,557,763
Valuation	–	–	285,899	285,899
	<u>34,557,763</u>	<u>–</u>	<u>285,899</u>	<u>34,843,662</u>
Provision for diminution in value:				
At 1 May 2002	301,423	43,464	20,000	364,887
Provided during the period	100,000	11,185	190,322	301,507
Released during period	–	(54,649)	–	(54,649)
Adjustment on revaluation	–	–	(9,129)	(9,129)
At 31 October 2003	<u>401,423</u>	<u>–</u>	<u>201,193</u>	<u>602,616</u>
Net book value:				
At 31 October 2003	<u>34,156,340</u>	<u>–</u>	<u>84,706</u>	<u>34,241,046</u>
At 30 April 2002	<u>27,228,045</u>	<u>7,290</u>	<u>278,580</u>	<u>27,513,915</u>

On a historical cost basis other investments other than loans would have been included at a net book value of £78,699 (2002 – £274,460).

NOTES TO THE ACCOUNTS

at 31 October 2003

13 INVESTMENTS (continued)

Details of the investments in which the group or the company, at 31 October 2003, held more than 20% of the nominal value of any class of share capital are as follows:

Principal companies of the group:

Subsidiary undertakings

<i>Name of company</i>	<i>Proportion of voting rights and ordinary shares held</i>	<i>Nature of business</i>
PCG Residential PLC	100%	Property investment
Paisley Pattern Homes Limited	100%	Property investment
Park Circus (Management) Limited	100%	Management and administration
Park Circus Registrars Limited	100%	Corporate registrars
Mercantile Securities (Scotland) Limited	100%	Corporate finance services
NC (Res) Limited	100%	Holding company /Property investment
South Eastern Recovery II Limited*	100%	Property investment
Pacific Shelf 1058 Limited	100%	Property investment
Belgrave Residential Assets Limited	100%	Property investment
Belgrave Residential Investments Limited	100%	Property investment
PCG Residential Lettings (No. 3) Limited	100%	Property investment
PCG Residential Lettings Limited	100%	Property investment
Westview Group Limited	100%	Investment holding company
Westview Investments Limited	100%	Investment holding company
Terrace Hill Limited*	100%	Investment holding company
Terrace Hill Estates Limited*	100%	Property investment
Terrace Hill (Berkeley) Limited*	100%	Property investment
Terrace Hill Properties Limited*	100%	Property investment
Terrace Hill Developments Limited*	100%	Property development
Mount York Estates Limited*	100%	Project coordination and development
Tannochside Developments Limited*	100%	Property development
Terrace Hill Projects Limited*	100%	Project coordination and management services
Terrace Hill North East Limited*	85%	Property development
Terrace Hill Retail Limited*	85%	Property investment
Terrace Hill (Newcastle) Limited*	85%	Property development
Terrace Hill (Teesdale) Limited*	85%	Property development
Terrace Hill (Westminster House) Limited*	85%	Property development
Terrace Hill (Thundersley) Limited*	100%	Property investment
Terrace Hill (Clarendon Road) Limited*	100%	Property development
Tannochside Estates Limited*	100%	Property investment
Terrace Hill (Guildford No. 1) Limited*	100%	Property development
Thanet Reach Estates Limited*	100%	Property development
Terrace Hill (Watford) Limited*	100%	Property development
Terrace Hill (Crowley) Limited*	100%	Property investment
PCG Investments Limited*	100%	Investment holding company
Peak Village Estates Limited*	100%	Property investment
Port Hampton Limited*	100%	Property investment and moorings hire
Outergolden Limited*	100%	Property investment
Platts Eyot Limited*	100%	Property investment

NOTES TO THE ACCOUNTS

at 31 October 2003

13 INVESTMENTS (continued)

Associated undertakings

Name of company	Proportion of voting rights and ordinary shares held	Nature of business
SERAH Properties PLC *	30.56%	Property investment

Joint Ventures and partnerships

The group's interest in the net assets of the joint ventures and partnerships is 50%

Vine Street Joint Venture	50%	Property investment
Sixteen Berkeley Street Joint Venture	50%	Property investment
Eleven Berkeley Street Joint Venture	50%	Property investment
Colston Avenue Partnership	50%	Property development
Cardinal Point Partnership	50%	Property development
Guildford Partnership	50%	Property development

* Shares held by subsidiary undertaking.

14 WORK IN PROGRESS

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Development work in progress	18,046,537	–	–	–

15 DEBTORS

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Trade debtors	1,067,604	548,587	–	–
Prepayments and accrued income	1,342,308	325,592	19,430	15,398
Amount due from subsidiaries	–	–	30,725,273	10,833,628
ACT recoverable	7,871	–	–	–
Other debtors	4,880,593	6,163,890	6,939	555,375
	<u>7,298,376</u>	<u>7,038,069</u>	<u>30,751,642</u>	<u>11,404,401</u>

All amounts fall due for payment within one year except for other debtors (group) of £217,320 (2002 – nil).

NOTES TO THE ACCOUNTS

at 31 October 2003

16 CREDITORS

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Amounts due within one year:				
Bank overdraft	899,621	–	–	–
Bank loans	29,043,211	2,675,000	–	–
Trade creditors	3,209,549	441,562	20,879	25,624
Current corporation tax	413,000	45,577	–	–
Other taxation and social security costs	888,687	21,389	–	–
Accruals and deferred income	3,039,780	702,108	142,551	80,795
Other creditors	3,860,362	296,719	295,147	293,915
Proposed final ordinary dividend	230,963	–	230,963	–
Amounts due to subsidiaries	–	–	31,446,961	16,177,118
	<u>41,585,173</u>	<u>4,182,355</u>	<u>32,136,501</u>	<u>16,577,452</u>

The bank overdraft is secured by way of debenture and cross guarantee from certain subsidiaries.

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Amounts due after more than one year:				
Bank loans	42,986,307	50,693,079	–	–
Subordinated loans	–	342,535	–	342,535
	<u>42,986,307</u>	<u>51,035,614</u>	<u>–</u>	<u>342,535</u>

The bank loans are secured by legal charges over the group's investment and development properties together with guarantees from certain subsidiary undertakings with a limited guarantee from the parent company and in one case a floating charge from the parent company.

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Financial liabilities are due:				
Bank loans and overdrafts:				
In one year or less or on demand	30,075,422	–	–	–
Unamortised finance costs	(132,590)	–	–	–
	<u>29,942,832</u>	<u>–</u>	<u>–</u>	<u>–</u>
Bank loans and overdrafts:				
In more than one year but less than two	2,958,645	–	–	–
In more than two years but less than five	33,103,763	50,693,079	–	–
In more than five years	7,035,353	–	–	–
Unamortised finance costs	(111,454)	–	–	–
Subordinated loans:				
In more than one year but less than two	–	342,535	–	342,535
	<u>42,986,307</u>	<u>51,035,614</u>	<u>–</u>	<u>342,535</u>

NOTES TO THE ACCOUNTS

at 31 October 2003

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2003		Company 2002	
	£		£	
Deferred Tax				
At 1 May 2002		–		–
Charged to profit and loss account		476,779		–
		<hr/>		<hr/>
At 31 October 2003		476,779		–
		<hr/>		<hr/>
Deferred Tax	Group 2003	Group 2002	Company 2003	Company 2002
	£	£	£	£
Accelerated capital allowances	254,420	–	–	–
Other timing differences	222,359	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	476,779	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>

18 FINANCIAL INSTRUMENTS

The group's principal financial instruments comprise loans, overdrafts, cash, finance lease obligations, short term deposits and fixed asset investment loans and equity investments in other enterprises. The main purpose of these financial instruments is to provide finance for the group's operations.

The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations, and unlisted investments.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. Following the acquisition by the group of substantial portfolios of investment properties the directors consider that the main risks are unchanged. The magnitude of the risk that has arisen over the period is detailed below.

Interest rate risk

The group holds cash balances on short term deposit. The group's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

The group borrows cash in the form of loans and overdrafts, which are subject to interest at floating rates, recognising that rates will fluctuate according to changes in the bank base rate. It also manages its exposure to interest rate risk by entering into interest rate swaps to generate the desired interest profile and maintain a balance between borrowings that are subject to floating and fixed rates.

Liquidity risk

It is recognised due to their nature that the unlisted investments may not be readily realisable. However, the liquidity risk is offset by the substantially larger portfolio of investment properties.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances and loans. The group has overdraft facilities available as detailed below.

NOTES TO THE ACCOUNTS

at 31 October 2003

18 FINANCIAL INSTRUMENTS (continued)

Market price risk

The company's investment portfolio is exposed to market price fluctuations, which are monitored by the directors. Limiting the investment in any single company mitigates the risk of excessive exposure to any particular issuer.

Interest rate risk profile of financial assets and liabilities

The interest rate profile of financial assets and liabilities of the group at 31 October 2003 was as follows:

	Total £	Floating rate financial assets £	Financial assets on which no interest is earned £
Sterling	14,048,620	14,048,620	–

Fixed rate financial liabilities				
Weighted average interest rate %	Weighted average period for which rate is fixed Years	Total £	Fixed rate financial liabilities £	Floating rate financial liabilities £
4.68	1	72,929,139	17,385,587	55,543,552

Floating rate financial liabilities bear interest at LIBOR or base rate plus margins of between 1.50% and 2.50%.

The interest rate profile of financial assets and liabilities of the group at 30 April 2002 was as follows:

	Total £	Floating rate financial assets £	Financial assets on which no interest is earned £
Sterling	2,183,792	2,183,792	–

Fixed rate financial liabilities				
Weighted average interest rate %	Weighted average period for which rate is fixed Years	Total £	Fixed rate financial liabilities £	Floating rate financial liabilities £
4.68	1.50	53,710,614	20,000,000	33,710,614

NOTES TO THE ACCOUNTS

at 31 October 2003

18 FINANCIAL INSTRUMENTS (continued)

The floating rate financial assets comprise:

- cash on deposit based on bank base rates.
- investment loans that bear interest based on bank base rates.

The floating rate financial liabilities comprise:

- sterling denominated bank loans that bear interest based on LIBOR and bank base rates.
- sterling denominated bank overdrafts that bear interest based on bank base rates.
- directors' loans denominated in sterling that bear interest based on The Royal Bank of Scotland plc base rate.
- subordinated loans denominated in sterling that bear interest based on The Royal Bank of Scotland plc base rate.

Borrowing facilities

The group has the following undrawn committed bank borrowing facilities available to it:

At 31 October 2003:

	£
Expiring in one year or less:	2,194,880
Expiring in more than one year but not more than two:	3,071,310
Expiring in more than two years but not more than five:	8,315,941
Expiring in more than five years:	150,000
	<hr/>
	13,732,131
	<hr/>

At 30 April 2002:

	£
Expiring in more than two years but not more than five:	5,343,971
	<hr/>
	5,343,971
	<hr/>

Fair values of financial assets and liabilities

The fair values of the group's financial assets and liabilities are not materially different from their carrying amounts.

NOTES TO THE ACCOUNTS

at 31 October 2003

19 CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised:		
250,000,000 ordinary shares of 2 pence each	5,000,000	5,000,000
200,000 cumulative 8% redeemable preference shares of £1 each	200,000	200,000
3,330,000 convertible shares of 20 pence each	660,000	660,000
	<u>5,860,000</u>	<u>5,860,000</u>
	£	£
Allotted, called up, and fully paid:		
153,975,407 (2002 – 74,353,688) ordinary shares of 2 pence each	<u>3,079,508</u>	<u>1,487,073</u>

During the period the company entered into the following share transactions:

On 19 September 2002, 80,972,332 ordinary shares of 2p each were issued in exchange for the 1 ordinary share of £1 of Westview Group Limited and 49 ordinary shares of £1 each in Westview Investments Limited together with the conversion of £2,500,000 of debt in the Westview group of companies.

On 19 September 2002, 1,956,842 ordinary shares of 2p each were issued for 12.65p as part of an open offer.

On 19 September 2002, 1,847,210 ordinary shares of 2p each were repurchased by the company at a price of 12.65p.

On 6 March 2003, 750,000 ordinary shares of 2p each and on 26 August 2003, 710,250 ordinary shares of 2p each were repurchased by the company at prices of 16.25p and 17.25p respectively.

Shares to be issued:

The figure 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 respect of a prior year acquisition and negotiations concerning settlement are currently still in progress.

NOTES TO THE ACCOUNTS

at 31 October 2003

20 RESERVES

	Share premium	Revaluation reserve – Investment properties	Revaluation reserve - other	Capital redemption reserve	Merger reserve	Profit and loss account
Group	£	£	£	£	£	£
At 1 May 2002	9,908,302	9,486,716	4,121	792,025	9,281,908	(5,993,961)
Profit for the period	–	–	–	–	–	4,070,512
Interim ordinary dividends	–	–	–	–	–	(393,524)
Final proposed ordinary dividend	–	–	–	–	–	(230,963)
Revaluation reserve released on disposal of assets in the period	–	(4,235,277)	–	–	–	4,235,277
Share premium on open offer	208,404	–	–	–	–	–
Repurchase of share capital	(196,728)	–	–	29,205	–	(244,392)
Premium on issue of share capital as part of acquisition	–	–	–	–	6,518,810	–
Surplus on revaluation of investment properties	–	8,145,414	–	–	–	–
Surplus on revaluation of unlisted investments	–	–	1,887	–	–	–
Share premium arising on acquisition	2,104,743	–	–	–	–	–
Expenses of share issue and repurchase	(202,018)	–	–	–	–	(30,520)
Merger reserve release	–	–	–	–	(7,573,136)	7,573,136
At 31 October 2003	<u>11,822,703</u>	<u>13,396,853</u>	<u>6,008</u>	<u>821,230</u>	<u>8,227,582</u>	<u>8,985,565</u>

The cumulative amount of goodwill deducted directly from group reserves net of goodwill relating to businesses disposed of as at 31 October 2003 is £234,010 (2002 – £234,010).

	Share premium	Revaluation reserve – other	Capital redemption reserve	Merger reserve	Profit and loss account
Company	£	£	£	£	£
At 1 May 2002	9,908,302	4,121	792,025	9,281,908	335,001
Profit for the period	–	–	–	–	1,702,621
Interim ordinary dividends	–	–	–	–	(393,524)
Final proposed ordinary dividend	–	–	–	–	(230,963)
Share premium on open offer	208,404	–	–	–	–
Repurchase of share capital	(196,728)	–	29,205	–	(244,392)
Premium on issue of share capital as part of acquisition	–	–	–	6,518,810	–
Surplus on revaluation of unlisted investments	–	1,887	–	–	–
Share premium arising on acquisition	2,104,743	–	–	–	–
Expenses of share issue and repurchase	(202,018)	–	–	–	(30,520)
Merger reserve release	–	–	–	(7,573,136)	7,573,136
At 31 October 2003	<u>11,822,703</u>	<u>6,008</u>	<u>821,230</u>	<u>8,227,582</u>	<u>8,711,359</u>

NOTES TO THE ACCOUNTS

at 31 October 2003

21 RECONCILIATION OF GROUP SHAREHOLDERS' FUNDS

	2003 Group £	2002 Group £	2003 Company £	2002 Company £
Total recognised gains and losses for the period	12,217,813	5,273,768	1,704,508	724,709
Ordinary dividends	(624,487)	–	(624,487)	–
New shares issued (net)	1,621,640	340,397	1,621,640	340,397
Merger reserve arising on new shares issued	6,518,810	–	6,518,810	–
Share premium arising on new shares issued	2,111,129	1,515,336	2,111,129	1,515,336
Purchase of ordinary shares	(471,640)	(238,410)	(471,640)	(238,410)
Total movements during the period	21,373,265	6,891,091	10,859,960	2,342,032
Opening shareholders' funds	25,158,735	18,267,644	22,000,981	19,658,949
Closing shareholders' funds	46,532,000	25,158,735	32,860,941	22,000,981

22 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the period includes a profit after tax and before dividends paid of £1,702,621 (2002 – £758,346) which is dealt with in the financial statements of the parent company.

23 GROUP STATEMENT OF CASH FLOWS

(a) *Reconciliation of group operating profit to net cash inflow/(outflow) from operating activities*

	2003 £	2002 £
Operating profit	3,295,314	1,889,763
Depreciation	75,385	26,132
Loss on sale of other tangible fixed assets	133,483	–
Positive goodwill amortisation and impairment losses	307,581	126,859
Decrease in stocks	6,902,101	–
Decrease in operating debtors	7,988,235	31,091
Decrease in operating creditors	(3,947,625)	(2,672,456)
Net cash inflow / (outflow) from operating activities	14,754,474	(598,611)

NOTES TO THE ACCOUNTS

at 31 October 2003

23 GROUP STATEMENT OF CASH FLOWS (continued)

(b) Analysis of cash flows for headings netted in the cash flow statement:

	2003 £	2002 £
Returns on investment and servicing of finance:		
Interest received	490,103	87,367
Interest paid	(4,874,551)	(3,912,289)
Interest element of finance lease rentals	–	(126)
Dividends paid to minority interests	(445,429)	–
Debt issue costs	(205,638)	(228,032)
	<u>(5,035,515)</u>	<u>(4,053,080)</u>
	2003 £	2002 £
Capital expenditure and financial investment:		
Purchase of investment property	(12,621,424)	(772,320)
Purchase of other tangible fixed assets	(23,881)	(3,603)
Sale of investment property	62,989,771	17,881,152
Purchase of investments	(5,996)	(25,071)
Sale of investments	137,255	21,588
	<u>50,475,725</u>	<u>17,101,746</u>
	2003 £	2002 £
Acquisitions and disposals:		
Purchase of subsidiaries:		
Acquisitions – consideration	(35,250)	(4,625,000)
Acquisitions expenses	–	(768,789)
Cash on acquisition (see note 26)	371,132	202,492
	<u>335,882</u>	<u>(5,191,297)</u>
	£	£
Financing:		
Purchase of ordinary shares	(478,064)	(298,013)
Issue of ordinary shares	247,542	247,042
Expenses on issue of ordinary shares	(202,018)	(84,664)
Expenses on repurchase of ordinary shares	(30,520)	–
Lease obligations repaid	–	(8,787)
New long term bank loans	27,984,425	31,741,206
Long term bank loans repaid	(66,396,749)	(30,866,362)
Other loans repaid	(9,919,876)	–
	<u>(48,795,260)</u>	<u>730,422</u>

NOTES TO THE ACCOUNTS

at 31 October 2003

23 GROUP STATEMENT OF CASH FLOWS (continued)

(c) Analysis of net debt

	At 1 May 2002 £	Cash flow £	Acquisitions £	Other non-cash changes £	At 31 October 2003 £
Cash at bank and in hand	1,905,211	12,143,409	–	–	14,048,620
Bank overdraft	–	(899,621)	–	–	(899,621)
	<u>1,905,211</u>	<u>11,243,788</u>	<u>–</u>	<u>–</u>	<u>13,148,999</u>
Debt due within one year	(2,675,000)	2,675,000	(30,179,685)	1,136,474	(29,043,211)
Debt due after one year	(51,035,615)	45,657,200	(36,471,418)	(1,136,474)	(42,986,307)
	<u>(51,805,404)</u>	<u>59,575,988</u>	<u>(66,651,103)</u>	<u>–</u>	<u>(58,880,519)</u>

(d) Effect on cash flows relating to acquisitions

	Acquisitions £
Cash inflow from operating activities	27,915,028
Returns on investment and servicing of finance	(1,648,335)
Taxation	(67,674)
Capital expenditure and financial investment	7,930,483
Financing	(25,691,231)
Net cash inflow	<u>8,438,271</u>

24 CONTINGENT LIABILITIES

Grants received from Scottish Homes are repayable by certain subsidiary companies in the event of:

- (a) disposal of the property /ies prior to an agreed cut-off point; or
- (b) the discontinuation of rental income from the property /ies.

The directors are of the opinion that neither of these contingencies will crystallise, since the principal activity of the company is the letting of the properties for rental income and it is not anticipated that the properties will be disposed of within the timeframe of (a) above. In the event of crystallisation of (a) and /or (b), the company will be obligated to pay an amount calculated with reference to the properties disposed of /not let out. The maximum sum repayable is £687,028.

NOTES TO THE ACCOUNTS

at 31 October 2003

25 GUARANTEES AND FINANCIAL COMMITMENTS

The group and company had annual commitments under non-cancelable operating leases as set out below:

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
	<i>Land and buildings</i>	<i>Land and buildings</i>	<i>Land and buildings</i>	<i>Land and buildings</i>
Operating leases which expire:				
In two to five years	62,000	–	–	–
After five years	1,463,620	21,500	21,500	21,500
	<u>1,525,620</u>	<u>21,500</u>	<u>21,500</u>	<u>21,500</u>
Capital commitments:				
	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Contracted but not provided for	1,209,890	–	–	–

26 ACQUISITIONS

	<i>Company Acquired</i>		<i>Total</i>
	<i>Paisley Pattern Homes Limited</i>	<i>Westview Group Limited & Westview Investments Limited (and subsidiaries)</i>	
Date of acquisition	1.05.2002	19.09.2002	
	£	£	£
Book and fair value:			
Investment property	95,000	37,649,146	37,744,146
Other tangible fixed assets	–	195,127	195,127
Investments	–	1,164,556	1,164,556
Development work in progress	–	36,964,711	36,964,711
Debtors	–	11,000,134	11,000,134
Cash at bank	364	370,768	371,132
Creditors	(30,020)	(15,759,875)	(15,789,895)
Long term loans	(69,222)	(57,004,540)	(57,073,762)
Other loans	–	(9,577,341)	(9,577,341)
Minority Interests	–	(444,265)	(444,265)
	<u>(3,878)</u>	<u>4,558,421</u>	<u>4,554,543</u>
Positive goodwill on acquisition	3,878	2,434,630	2,438,508
Consideration	–	6,993,051	6,993,051

NOTES TO THE ACCOUNTS

at 31 October 2003

26 ACQUISITIONS (continued)

Represented by:

		£	£
Ordinary Shares	–	6,993,000	6,993,000
Cash	–	51	51
	–	<u>6,993,051</u>	<u>6,993,051</u>

Pre-acquisition financial information in respect of the companies acquired during the period:

	<i>Westview Investments Limited & Westview Group Limited (and subsidiaries)</i>
Start of the financial period	1.08.2001
Date of acquisition	19.09.2002
	£
Turnover	<u>33,707,569</u>
Operating profit	402,396
Loss on sale of investment properties	(317,731)
Gain on sale of investments	8,273,620
Net interest payable	<u>(2,173,361)</u>
Profit before tax	6,184,924
Taxation	9,597
Profit after tax	<u>6,194,521</u>
Minority Interest	<u>(3,056,873)</u>
Profit after tax and minority interests	<u>3,137,648</u>
<i>Statement of total recognised gains and losses</i>	
Profit for the period	6,194,521
Unrealised surplus on revaluation of investment properties	<u>794,080</u>
Total recognised gains and losses	<u>6,988,601</u>
The loss after tax and minority interests for the previous financial year was as follows:	
Loss after tax	(7,004,459)
Minority interests	<u>3,433,849</u>
Loss after tax and minority interests	<u>(3,570,610)</u>
There was no pre-acquisition activity in Paisley Pattern Homes Limited.	
The loss after tax for the previous financial year was as follows:	
Loss after tax	<u>(5,602)</u>

NOTES TO THE ACCOUNTS

at 31 October 2003

27 RELATED PARTY TRANSACTIONS

2003

- (a) Office facility and staff costs of £2,152,726 (2002 – £nil) were billed to the group from Terrace Hill Partnership. The balance outstanding due by Terrace Hill Partnership to group companies at 31 October 2003 was £637,937 (2002 – £nil). R F M Adair, N J C Turnbull, R E Lane, P A J Leech, K W Grundy and T G Walsh are all partners in Terrace Hill Partnership.
- (b) Consultancy fees of £105,675 were charged to the group from Fineluck Limited, a company in which N J C Turnbull is a director and shareholder (2002 – £nil).
- (c) Included in management fees for the period are amounts charged to the following partnerships.

	2003	2002
	£	£
Sixteen Berkeley Street Partnership	27,000	–
Guildford Partnership	39,375	–
Cardinal Point Partnership	250	–
Eleven Berkeley Street Partnership	12,120	–

The relationship with the partnerships is disclosed in note 13.

- (d) The following table details:
- (i) the movement on the subordinated loans made to the group from a company, Terrace Hill (Hampton) Limited (loan 9) in which R F M Adair has an interest and loan 7 which is a personal loan from R F M Adair. The interest on both loans is payable at a rate not exceeding 2.5% per annum over The Royal Bank of Scotland plc base rate. Interest charged on these loans for the period amounted to £673.
- (ii) the movement on a loan made to the group from Skye Holdings Limited in which R F M Adair and N J C Turnbull are directors, and a second personal loan from R F M Adair. The interest on both loans is payable at rates not exceeding 2.5% and 1.5% per annum respectively over The Royal Bank of Scotland plc base rate. Interest charged on these loans for the period amounted to £60,807 and £88,636 respectively.

	Loan 7	Loan 9	Skye Holdings Limited	R F M Adair	Total
	£	£	£	£	£
At 1 May 2002	250,000	92,535	–	–	342,535
On acquisition	–	–	4,518,045	5,059,296	9,577,341
Repayments	(250,000)	(92,535)	(4,518,045)	(5,059,296)	(9,919,876)
At 31 October 2003	–	–	–	–	–

- (e) On 19 September 2002 the company acquired the issued share capital of Westview Investments Limited and Westview Group Limited in which R F M Adair had an interest.
- (f) During the period, properties were sold in arm's length transactions at valuation to relatives of M A Kelly and D R Macdonald. The proceeds of sale were £781,000 (2002 – £350,000) and £158,000 (2002 – £43,000) respectively and of these amounts £119,000 was included in debtors at 31 October 2003 (2002 – £349,000).

2002

- (a) The company sold, at a cost of £500,000, an investment and investment loan, to Terrace Hill Limited in which R F M Adair had an interest. This amount was included in debtors at 30 April 2002.

NOTES TO THE ACCOUNTS

at 31 October 2003

28 POST BALANCE SHEET EVENTS

- (a) Since 31 October 2003, one of the company's subsidiary undertakings generated a profit in excess of £1.5m from the restructuring of its leasehold interests.
- (b) On 24 November 2003 the company announced that it had entered into a joint venture with Douglas Blausten and Simon Blausten, Directors of Oakburn Properties PLC ("Oakburn") in the ownership of Hodgson & Faraday Property Management Services Limited ("H&F") to acquire the issued share capital of Oakburn, in so far as not held by H&F or parties acting in concert with it, at a price of 760p cash per share, to be funded by loan from the company of up to £4,920,225 (being the maximum consideration for the outstanding shares) which offer valued the whole issued share capital of Oakburn at approximately £7.2 million. The offer became wholly unconditional, with 100% acceptances on 19 January 2004. Oakburn holds 10,141,472 ordinary shares (representing 29.34%) of the issued share capital of Grosvenor Land Holdings PLC (Grosvenor").
- (c) On 14 January 2004 the company announced a recommended cash offer for the entire issued share capital of Grosvenor not held by Oakburn or parties acting in concert with the company at a price of 18p cash per share with a share alternative of 0.666 new Terrace Hill Group PLC shares issued at 27p each for each Grosvenor share. On the same date the company purchased in the market 8,375,000 shares of Grosvenor at a price of 17.9p each, being 24.23% of the issued capital of Grosvenor and on 15 January 2004 so purchased 350,000 shares of Grosvenor at a price of 17.75p each. On 19 January 2004 the company announced that it and parties acting in concert with it, including Oakburn, then held 55.78% of the issued share capital of Grosvenor and that its offer had become mandatory in terms of rule 9 of the City Code. The recommended cash offer values the whole issued share capital of Grosvenor at approximately £6.22 million.
- (d) On 21 January 2004 the company announced a cash offer of 66.3p per share for the whole issued share capital of SERAH Properties PLC ("SERAH") in so far as not held by the company or parties acting in concert with it (the company and such parties then holding 30.56% of such share capital) with a share alternative of 75p per SERAH share to be satisfied by 2.5 new Terrace Hill Group PLC shares issued at 30p each, including in such announcement that holders of 27.27% of such share capital had irrevocably undertaken to accept such cash offer. The cash offer values the whole issued share capital of SERAH at approximately £1.54 million.

29 CONTROLLING PARTY

The company was controlled throughout the period by family trusts in which R F M Adair has an interest.

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