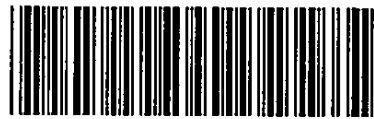


COMPANY REGISTRATION NUMBER 3125799

TERRACE HILL NORTH EAST LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2011

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TERRACE HILL NORTH EAST LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2011

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TERRACE HILL NORTH EAST LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	P A J Leech R E Lane T G Walsh
Company secretary	Terrace Hill (Secretaries) Limited
Registered office	1 Portland Place London W1B 1PN
Auditor	BDO LLP Statutory Auditor 55 Baker Street London W1U 7EU

TERRACE HILL NORTH EAST LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2011

The directors present their report and the financial statements of the company for the year ended 30 September 2011

PRINCIPAL ACTIVITIES

The principal activities of the company are property development and the co-ordination of the activities of its property development subsidiaries

DIRECTORS

The directors who served the company during the year were as follows

P A J Leech
R E Lane
T G Walsh

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

TERRACE HILL NORTH EAST LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2011

AUDITOR

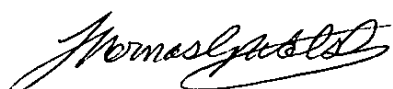
BDO LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

Registered office
1 Portland Place
London
W1B 1PN

Signed by order of the directors



TERRACE HILL (SECRETARIES)
LIMITED
Company Secretary

Approved by the directors on 21 June 2012

TERRACE HILL NORTH EAST LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRACE
HILL NORTH EAST LIMITED
YEAR ENDED 30 SEPTEMBER 2011

We have audited the financial statements of Terrace Hill North East Limited for the year ended 30 September 2011 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

TERRACE HILL NORTH EAST LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERRACE HILL NORTH EAST LIMITED *(continued)*

YEAR ENDED 30 SEPTEMBER 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime



STEPHEN ELSWORTH (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU

21 June 2012

BDO LLP is a limited liability partnership registered in England & Wales (with registered number OC305127)

TERRACE HILL NORTH EAST LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2011

		Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
TURNOVER	Note 2	56,308	88,198
Cost of sales		<u>(118,265)</u>	<u>(102,490)</u>
GROSS LOSS		(61,957)	(14,292)
Administrative expenses		<u>898,319</u>	<u>1,224,098</u>
OPERATING PROFIT	3	836,362	1,209,806
Interest receivable		14	198
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>836,376</u>	<u>1,210,004</u>
Tax on profit on ordinary activities	5	(6,514)	(1,023)
PROFIT FOR THE FINANCIAL YEAR		<u>829,862</u>	<u>1,208,981</u>

All of the activities of the company are classed as continuing

The notes on pages 9 to 14 form part of these financial statements

TERRACE HILL NORTH EAST LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 SEPTEMBER 2011

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Profit for the financial year attributable to the shareholders	829,862	1,208,981
Unrealised profit on revaluation of Shares in group companies	<u>1,460,118</u>	<u>2,680,654</u>
Total gains and losses recognised since the last annual report	<u>2,289,980</u>	<u>3,889,635</u>

The notes on pages 9 to 14 form part of these financial statements

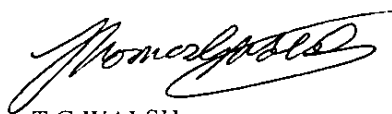
TERRACE HILL NORTH EAST LIMITED

BALANCE SHEET

30 SEPTEMBER 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Investments	6	5,389,648	3,929,530
CURRENT ASSETS			
Stocks	7	309,973	112,698
Debtors	8	8,097,860	11,123,610
Cash at bank		38,643	-
		8,446,476	11,236,308
CREDITORS: Amounts falling due within one year	10	11,343,967	14,963,661
NET CURRENT LIABILITIES		(2,897,491)	(3,727,353)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,492,157	202,177
CAPITAL AND RESERVES			
Called-up equity share capital	12	100	100
Revaluation reserve	13	5,389,634	3,929,516
Profit and loss account	14	(2,897,577)	(3,727,439)
SHAREHOLDER'S FUNDS	15	2,492,157	202,177

These financial statements were approved by the directors and authorised for issue on 21 June 2012, and are signed on their behalf by



T G WALSH

Company Registration Number 3125799

The notes on pages 9 to 14 form part of these financial statements.

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2011

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards

The financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from the obligations to prepare group financial statements as it is itself a subsidiary undertaking and its ultimate parent undertaking is established under the law of a member state of the European Union and prepares consolidated financial statements

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

Turnover

Turnover represents sales of trading properties and rental and service charge income excluding value added tax and arises solely within the United Kingdom. Sales of properties are reflected in the accounts if the property is practically complete and an unconditional contract is exchanged by the balance sheet date

Work in progress

Work in progress is stated at the lower of cost and net realisable value. Interest costs and other attributable direct overheads are included in the value of work in progress where appropriate

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2011

1 ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Investment in subsidiaries

Investments in subsidiary undertakings are accounted using the equity method whereby the original cost of the investment is adjusted for changes in the value of the underlying net assets. Changes in the net asset value of subsidiaries allocated to a revaluation reserve except permanent diminution in value which are charged to the profit and loss account.

2 TURNOVER

An analysis of turnover is given below

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Sale of properties	-	88,198
Other income	56,308	-
	<u>56,308</u>	<u>88,198</u>

3 OPERATING PROFIT

Operating profit is stated after crediting

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Directors' remuneration	-	-
Auditor's remuneration is paid by the parent company	-	-

4 PARTICULARS OF EMPLOYEES

There were no employees other than the directors, during the year.

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2011

5 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Deferred tax		
Origination and reversal of timing differences (note 9)		
Losses	6,514	1,023

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 27% (2010 - 28%)

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Profit on ordinary activities before taxation	836,376	1,210,004
Profit on ordinary activities by rate of tax	225,822	338,801
Group Relief	103,281	57,944
Expenses not deductible for tax purposes and non-taxable income	(291,166)	(374,888)
Other income/(expenses)	(37,937)	(21,857)
Total current tax (note 5(a))	-	-

(c) Factors that may affect future tax charges

The Treasury have confirmed that a change in the corporation tax rate is expected to occur in separate Finance Acts in the years 2011 to 2013 inclusive. During this period the tax rate will reduce from 28% to 24%. The rate of 25% has been used in calculating the deferred tax asset and if appropriate this may be reduced, if required, by a further 1% next year.

TERRACE HILL NORTH EAST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2011

6. INVESTMENTS

	Investment in Subsidiaries
	£
COST OR VALUATION	
At 1 October 2010	6,290,876
Revaluations	<u>1,460,118</u>
At 30 September 2011	<u>7,750,994</u>
AMOUNTS WRITTEN OFF	
At 1 October 2010 and 30 September 2011	<u>2,361,346</u>
NET BOOK VALUE	
At 30 September 2011	<u>5,389,648</u>
At 30 September 2010	<u>3,929,530</u>

The company's principal subsidiary is Terrace Hill (Bishop Auckland) Limited, a wholly owned subsidiary registered in England and Wales. The aggregate unaudited share capital and reserves at 30 September 2011 was £5,317,682 (2010 £3,532,649), the unaudited profit for the year was £1,785,033 (2010 £2,692,312).

7 STOCKS

	2011	2010
	£	£
Work in progress	<u>309,973</u>	<u>112,698</u>

Development work in progress does not include interest capitalised

8. DEBTORS

	2011	2010
	£	£
Trade debtors	2,770	–
Amounts owed by group undertakings	7,945,158	10,959,284
VAT recoverable	14,851	16,381
Other debtors	25,675	60,000
Prepayments and accrued income	27,975	–
Deferred taxation (note 9)	<u>81,431</u>	<u>87,945</u>
	<u>8,097,860</u>	<u>11,123,610</u>

TERRACE HILL NORTH EAST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2011

9 DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Included in debtors (note 8)	81,431	87,945

The movement in the deferred taxation account during the year was

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Balance brought forward	87,945	88,968
Profit and loss account movement arising during the year	(6,514)	(1,023)
Balance carried forward	81,431	87,945

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2011 £	2010 £
Tax losses available	81,431	87,945
	81,431	87,945

10. CREDITORS: Amounts falling due within one year

	2011 £	2010 £
Bank loans	–	35,701
Trade creditors	67,662	4,283
Amounts owed to group undertakings	11,216,305	14,813,677
Accruals and deferred income	60,000	110,000
	11,343,967	14,963,661

11 RELATED PARTY TRANSACTIONS

The controlling party of the company was Saffery Champness Trust Corporation, trustees of a life interest trust in which R F M Adair is a beneficiary R F M Adair is a director of the ultimate parent company, 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 and are 100% owned

TERRACE HILL NORTH EAST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2011

12 SHARE CAPITAL

Allotted, called up and fully paid:

	2011		2010	
	No	£	No	£
100 Ordinary shares of £1 each	100	100	100	<u>100</u>

13 REVALUATION RESERVE

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Balance brought forward	3,929,516	1,248,863
Revaluation of fixed assets	<u>1,460,118</u>	<u>2,680,653</u>
Balance carried forward	<u>5,389,634</u>	<u>3,929,516</u>

14 PROFIT AND LOSS ACCOUNT

	Year to 30 Sep 11 £	Period from 1 Nov 09 to 30 Sep 10 £
Balance brought forward	(3,727,439)	(4,936,420)
Profit for the financial year	<u>829,862</u>	<u>1,208,981</u>
Balance carried forward	<u>(2,897,577)</u>	<u>(3,727,439)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Profit for the financial year	829,862	1,208,981
Other net recognised gains and losses	<u>1,460,118</u>	<u>2,680,653</u>
Net addition to shareholders' funds/(deficit)	2,289,980	3,889,634
Opening shareholders' funds/(deficit)	<u>202,177</u>	<u>(3,687,457)</u>
Closing shareholders' funds	<u>2,492,157</u>	<u>202,177</u>

16 ULTIMATE PARENT COMPANY

The immediate parent company is Terrace Hill Limited which is 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